S. Hrg. 99-337

PROPOSED TRANSFER OF WASHINGTON NATIONAL AND DULLES INTERNATIONAL AIRPORTS TO A REGIONAL AIRPORTS AUTHORITY

HEARING

BEFORE THE

SUBCOMMITTEE ON
GOVERNMENTAL EFFICIENCY
AND THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

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CONTENTS

Page
Opening statement of Senator Mathias 1

WITNESSES

WEDNESDAY, JULY 10, 1985

General Accounting Office—Mr. Oliver W. Krueger, Senior Associate Director—Resources, Community, and Economic Development Division 3
Grace Commission—Mr. Mark D. Mishler, assistant to the President, Chemed Corp., and representative of the President's private sector survey on cost control (Grace Commission) 3
Wheat First Securities, Inc.—Walter W. Craigie, executive vice president 3
Salomon Bros., Inc.—Gregory P. Dyer, vice president 3
Holton Commission—Gov. Linwood Holton, Jr., chairman, Advisory Commission on the Reorganization of the Metropolitan Washington Airports (Holton Commission), accompanied by Shirley Ybarra, Special Assistant for Policy to the Secretary of Transportation, and James A. Wilding, director, Metropolitan Washington Airports 31
Hon. John Warner, U.S. Senator from the State of Virginia 33
Hon. Paul S. Trible, Jr., U.S. Senator from the State of Virginia 35
Hon. Paul S. Sarbanes, U.S. Senator from the State of Maryland 58
State of Maryland—William K. Hellman, secretary, Maryland Department of Transportation, accompanied by Theodore S. Mathison, administrator, Baltimore/Washington International Airport 65
Airline Transport Association—Paul Ignatius, president, accompanied by James T. Murphy, vice president, Airports and Materials 70
Greater Washington Board of Trade—Frank Ikard, representative 82
The Greater Baltimore Committee—Ronald E. Creamer, president, GBC Public Policy Council 82
Washington-Baltimore Regional Association—Luther H. Hodges, Jr., chairman 82

ALPHABETICAL LIST OF WITNESSES

Craigie, Walter W.:
  Testimony 3
  Prepared statement 30
Creamer, Ronald E.:
  Testimony 82
  Prepared statement 97
Dyer, Gregory P.:
  Testimony 3
  Prepared statement 30
Hellman, William K.: Testimony 65
Hodges, Luther H., Jr.:
  Testimony 82
  Prepared statement 106
Holton, Gov. Linwood, Jr.:
  Testimony 31
  Prepared statement 45
Ignatius, Paul:
  Testimony 70
  Prepared statement 76

Page
Ikard, Frank:
  Testimony 82
  Prepared statement 89
Krueger, Oliver W.: Testimony 3
Mathison, Theodore E.: Testimony 65
Mishler, Mark D.:
  Testimony 3
  Report 10
  Responses to written questions submitted by Senator Mathias 18
Murphy, James T.: Testimony 70
Sarbanes, Hon. Paul S.:
  Testimony 58
  Prepared statement 60
Trible, Hon. Paul S., Jr.: Testimony 35
Warner, Hon. John:
  Testimony 33
  Prepared statement 34
Wilding, James A.:
  Testimony 31
  Supplementary statement 164

TESTIMONY SUBMITTED FOR THE RECORD

Alphabetical Listing

Aircraft Owners & Pilots Association 113
American Federation of Government Employees, District 14 118
American Federation of Government Employees, Local 2303 119
Baltimore Regional Planning Council 122
Council of Governments (Metropolitan Washington) 130
  Washington-Baltimore airport passenger activity 1979-84 134
  Airport use, passenger growth, and noise impacts of region's 3 airports, November 1984 140
  Letter to COG from U.S. Secretary of Transportation concerning COG transportation planning responsibilities, March 26, 1985 151
District of Columbia Government 152
Federal Firefighters Association, Local 1 159
Metropolitan Washington airports (MWA) concerning personnel and labor relations matters 164
Montgomery County Government 171
National Business Aircraft Association, Inc 174
National Capital Planning Commission:
  July 9, 1985 179
  July 25, 1985 182
Northern Virginia Planning District Commission 183
Port Authority of New York and New Jersey 184
Prince Georges County Government 191
Regional Airline Association 192
Washington Dulles Task Force 194

APPENDIX

Grace Commission report excerpt—Task force report on privatization—President's private sector survey on cost control 202
General Accounting Office—Views on Grace Commission report recommendation to increase Metropolitan Washington airports user fees comparable to those of other major metropolitan airports, February 19, 1985 226
Wheat, First Securities, Inc., and Salomon Bros., Inc.—"Certain Financial Aspects of the Transfer of the Dulles and National Airports":
  Report to Advisory Commission on the Reorganization of the Metropolitan Washington Airports, November 29, 1984 229
  Supplement report, June 25, 1985 319
  Addendum report, July 9, 1985 343
Holton Commission report—"Advisory Commission on the Reorganization of the Metropolitan Washington Airports" report to the Secretary of Transportation, December 18, 1984, including minority views 371
Greater Washington Board of Trade—Policy position and findings of attitude survey related to airports, May 20, 1985 381

Page
Congressional Research Service—"Federal Ownership of National and Dulles Airports: Background, Pro-Con Analysis, and Outlook," January 11, 1985...... 398
Congressional Budget Office—Comparison of costs of financing airports improvements by direct Federal funding versus local tax-exempt bond financing, June 25, 1985...... 416
Office of Technology Assessment—"Airport System Development," August 1984...... 419
Metropolitan Washington airports policy—Federal Aviation Administration, Federal Register, November 27, 1981...... 421
U.S. Court of Appeals, fifth circuit decision concluding that U.S. DOT regulations imposing a "perimeter rule" on flights to and from Washington National Airport are valid, July 9, 1982...... 436
Map—Dulles International Airport: Existing terminal area...... 452
National Air and Space Museum annex—Smithsonian Institution fiscal year 1985 authorization request to House Committee on Public Works and Transportation...... 453
Proposed master plan—Dulles International Airport, August 1984...... 457
National Capital Planning Commission—Report to the FAA and Fairfax and Loudoun Counties, VA, on proposed master plan for Dulles International Airport, March 7, 1985...... 491
Fairfax County, VA, proposed comprehensive plan amendment limiting heights of buildings in the vicinity of Dulles International Airport, January 18, 1985...... 501
U.S. Department of Transportation description of Metropolitan Washington airports transfer and section-by-section analysis...... 509

PROPOSED TRANSFER OF WASHINGTON NATIONAL AND DULLES INTERNATIONAL AIRPORTS TO A REGIONAL AIRPORTS AUTHORITY

WEDNESDAY, JULY 10, 1985

U.S. SENATE,
SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY
AND THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 342, Dirksen Senate Office Building, Senator Charles McC. Mathias, Jr. (chairman of the subcommittee) presiding.

Present: Senator Mathias.

OPENING STATEMENT OF SENATOR MATHIAS

Senator MATHIAS. The meeting will come to order. We're meeting this morning to take testimony on the proposed transfer of the Washington National and Dulles International Airports to a regional airports authority. I think we all have great admiration for the efforts of the Secretary of Transportation, Elizabeth Dole, Gov. Linwood Holton of Virginia, Senator Warner, other members of the Advisory Commission on the Reorganization of the Washington Metropolitan Airports for what have been really tireless efforts and dedication to what is admittedly a very difficult task.

But in examining this legislation, I think we have to ask the overriding question, and that is does it serve the public interest? And if we're talking about the public interest, I think we have to define what we mean. In this case, the public in question is a very complex one. It includes the population of the huge Chesapeake-Potomac metropolitan area which extends from Richmond to the Mason-Dixon line, which runs westward to the Appalachians. It includes Americans from all across the country who come to the National Capital to see, to learn, to do business, and it includes international travelers to the Capital of the free world.

There are now three established airports serving the public in the Washington metropolitan area—National, Dulles International, and Baltimore-Washington International. All three of these airports have problems. Ground facilities at National, by most cursory observation, are inadequate. Ground transportation to and from Dulles is not convenient. Flight schedules at BWI, while improved over recent years, could stand further improvement.

We're looking at three airports all of which were constructed with Government assistance. In the case of National and Dulles, it was in fact 100 percent Federal money. In the case of BWI, it was predominantly State money combined with some Federal funding. This has not been a satisfactory or equitable way to provide improvements at any of the three airports. Nor can I say that the operation has been satisfactory. The Federal Aviation Administration operates National and Dulles as a kind of Federal monopoly, while the Baltimore-Washington airport is operated independently by the State of Maryland Department of Transportation. The result, I think, can only be described as inconvenience and discomfort for much of the traveling public, and there seems to be a consensus that a change in the operating arrangements is necessary.

We have to try to solve these problems in order to keep a balanced program of modernization and improvement going on at all three of the airports. It seems to me that the bill now before the Congress falls short of this objective. It could codify the isolation of BWI into law. A regional authority excluding BWI would be given an initial Federal subsidy worth millions of dollars in the form of real estate, improvements, and airport personnel; while Maryland taxpayers would continue to shoulder the burden of the cost associated with the purchase of BWI and the improvements to it.

Now this, of course, is not to argue against a generous Federal transfer, but only for some long-range equity. The air carriers should be in competition with each other. I think that's one of the goals that we seek here. But the airports should not be in competition with each other. The public interest is the combined interests of travelers of the region and residents of the region who use the three airports, and the public would be served if all three airports were operating cooperatively, and not competitively. That's not happening now, nor do I think it will come about as a result of the proposed legislation.

We should not let the historic opportunity to obtain a balanced and fair system of air transportation for the Greater Baltimore-Washington metropolitan area slip through our hands. Instead of pulling apart, I hope that we can pull together to reach a regional consensus on how to devise a system of air transportation that best serves the many public needs. And I hope the hearings today will bring us closer to that goal.

Now, our witnesses, as a matter of convenience, have been assigned to panels, and the first panel will be Mr. Oliver W. Krueger, the General Accounting officer; Mr. Jack Howe, senior vice president of Wheat, First Securities; Mr. Mark Mishler of the Grace Commission; and Mr. Greg Dyer, the vice president of Salomon Brothers.

Gentlemen, if you will all come to the table. In order to move through the rather formidable list of witnesses that we have for today, I'm wondering if we can ask you each to summarize your statements 4 or 5 minutes. Of course, the full statement will be included in the record as if read. Which of you would like to begin? Mr. Krueger?

TESTIMONY OF OLIVER W. KRUEGER, SENIOR ASSOCIATE DIRECTOR, RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION, GOVERNMENT ACCOUNTING OFFICE; MARK D. MISHLER, ASSISTANT TO THE PRESIDENT, DuBOIS INSTITUTIONAL CHEMICALS, CHEMED CORP., AND REPRESENTATIVE OF THE GRACE COMMISSION; AND WALTER W. CRAIGIE, EXECUTIVE VICE PRESIDENT, WHEAT, FIRST SECURITIES, INC., ACCOMPANIED BY GREGORY P. DYER, VICE PRESIDENT, SALOMON BROTHERS, INC.

Mr. **Krueger**. Thank you, Mr. Chairman. I may take just a little bit longer than 5 minutes. I think I can get it in about 8 or 9 minutes, if that's OK.

We have done quite a bit of work at your request, and I think it's important that we get it on the record if we can, if you have no objection.

Senator **Mathias**. Well, we will give you a little bit extra time, but I don't want other witnesses to think that that's going to be the practice. This is the exception, not the precedent.

Mr. **Krueger**. Thank you, sir.

We welcome your invitation to testify on S. 1017. Over the last three decades, numerous commissions have identified ownership and control of Washington National and Washington Dulles International Airports as an appropriate local government responsibility. This bill makes a similar finding and proposes transferring Federal ownership and control from the Department of Transportation to an independent airport authority. Section 5 of the bill provides the framework for the valuation method that would be used to determine the payment received for the two airports. In summary, over a 35-year lease period, the authority would repay the Federal Government the amount of Federal investment in the airports not yet recovered through airport revenues.

Mr. Chairman, on May 21, 1985, you asked us to identify alternate methods for valuing the two airports either separately or as a combined entity. During our limited review, we found that there are many methods for valuing the airports. The method eventually used will depend on the valuation option the Congress selects for the transfer. We identified three potential valuation options.

Obtain for the Government the fair market value of the airports.

Recover what the airports cost the Government.

Transfer the airports at no cost.

We are not recommending any specific option. All three have been either proposed or used in the past for similar transfers. To assist the Congress in evaluating these options I will discuss the methods that support each option; where the methods were proposed or actually used; and observations on the pros and cons of applying the methods.

Any of the methods can be used to estimate the value of the airports, either separately or as a combined entity. There will, however, be complications associated with applying either fair market value or cost-recovery methods.

Congress could require transfer at fair market value. Fair market value is the monetary value that the Federal Government could reasonably expect to receive for the airports in a sale between a willing buyer and a willing seller. Using fair market value to price the airports recognizes their productive nature. The value to the potential buyer reflects the buyer's judgment about the future revenues and other benefits to be gained from ownership, while the value to the Federal Government reflects the benefits that could be gained by retaining ownership or selling the airports to the buyer who valued them most highly.

Often, prior to a sale, sellers attempt to estimate the fair market value of an asset in order to establish a reservation price—a price below which they are unwilling to sell. There are several traditional methods for making such estimates. They include estimating the discounted stream of future earnings flowing from the airports for the remainder of their useful lives; analyzing market transactions involving similar airports; and estimating the current replacement cost of the land and any building improvements at the airports.

Establishing fair market value is complicated by restrictions on the airports. Traditional fair market value methods may be difficult to apply to the proposed transfer of National and Dulles Airports because of existing and proposed restrictions on airport operations and earnings.

The bill requires the airports to continue to be used as airports. This restriction can affect their value. Specifically, it prevents National from being sold to anyone who might be interested in developing the site for alternative uses. The bill also requires the airports' property to be used for airport purposes. While it is not clear how restrictive this requirement is, to the extent that it does restrict the use of airport property, it will be particularly important to valuing Dulles, which has unused land.

The current restriction on hours of operation at National can reduce its value to a potential buyer. On the other hand, this restriction can be important to protect the interests of National's neighbors, and by forcing planes to land elsewhere, may actually enhance the value of Dulles.

A more critical restriction to establishing fair market value is the current limitation on earnings, or profits. Section 6(f) of the bill requires that all revenues generated by the airports be used to pay their capital and operating costs. That is, the airports must collect no more revenues from landing fees, terminal leases, and concession fees than are sufficient to cover their current and anticipated capital and operating costs. This restriction on earnings, however, is consistent with the current break-even operation of National, Dulles, and all other major commercial airports in the United States. Public airports receiving Federal grants under the Airport and Airways Improvement Act of 1982 must certify that all revenues that they generate will be expended for their capital and operating costs.

An open sale of the airports may not be possible. As the definition of fair market value implies, one way to determine the fair market value of the airports is to conduct a sale. In May 1972, the Office of Management and Budget proposed that the airports be sold to "the highest bidder." This approach did not receive much support. Furthermore, there is a major institutional impediment to its application. Specifically, a sale to a private operator would represent a major shift in the historical pattern of airport ownership and operation, since all major U.S. commercial airports are owned and operated either by cities, counties, States, or airport authorities.

Estimating the discounted future earnings would be complicated by the earnings restriction. The Federal Government could determine a fair market value for the airports by estimating their future earnings and then calculating the present discounted value of those earnings. The U.S. Railway Association used this method to determine the fair market value of the Alaska Railroad for the 1983 sale of the railroad by the United States to the State of Alaska. However, the earnings restriction complicates using this method for the airports. Specifically, since the future stream of earnings, or profits, would be zero, the present discounted value of those earnings would also be zero, thereby suggesting a zero value for the airports.

This result appears paradoxical for several reasons. First, airlines and air travelers use the airports every day; therefore, the airports must have value to these parties. Second, airports can provide an important economic stimulus to an area, making them valuable to the residents, businesses, and governments in the region. Third, even though under the earnings restriction the airports technically may have zero value, a buyer should be willing to pay a positive price for the airports because the price the buyer pays would become part of the airports' capital costs, which can be recovered through revenues.

In our view, the present discounted value method could be modified to adjust for the effect of the earnings restriction. If the Government wished to receive a positive price for the airports, it could employ one of several potential approaches to estimate an earnings stream for each of the airports. The present discounted value of this earnings stream could become the price charged for the transfer of the airports.

For example, in the case of National Airport, where the demand for landing slots currently exceeds the supply, the Government could estimate the increase in fees that would be necessary to balance demand and supply. The earnings flowing from these increased fees could be discounted to a present value and form the basis for a transfer price. This approach would have the benefit of encouraging economically efficient pricing of National's airspace. There are, however, many ways to encourage efficient pricing other than through the sale of the airports. Further, such an estimate could be difficult to make.

Demand for landing slots at Dulles does not currently exceed supply. Consequently, this same approach would not produce a positive price for Dulles. Dulles, however, does have land with development potential. If it wished, the Government could estimate the earnings that might be available from leasing this land and use the discounted present value of this earnings stream as the basis for the transfer price. However, as I suggested earlier, the price produced by this approach would depend on the restrictions placed on the use of land at Dulles.

Another approach is available that could be applied to either National or Dulles. This approach would involve identifying other airports that are comparable to National or Dulles and determining the fees charged there. These fees would indicate what users are currently paying for similar services at other airports, and could be used to estimate the revenues of National or Dulles. After subtracting each airport's costs from the estimated revenues, the estimated earnings could be discounted to the present to form the basis of a transfer price. In employing this method, it is important to recognize that it may be difficult to establish the proper basis for identifying airports that are comparable to National or Dulles.

Complications exist for other fair-market-value methods. Another method of estimating market value is on the basis of comparable market transactions. We were able to identify only two transactions involving airports similar in size to National or Dulles—the 1972 sale of Baltimore-Washington International [BWI] Airport by the city of Baltimore to the State of Maryland, and the 1978 sale of Hollywood-Burbank Airport by Lockheed Aircraft Corp. to the city of Burbank, CA. Given how long ago these transactions occurred and their limited number, this method, in our judgment, is unlikely to establish a satisfactory value for the airports.

Finally, the fair market value of the airports could be estimated on the basis of the airports' replacement costs. Appraisers hired by Lockheed Aircraft Corp. and the city of Burbank used replacement cost to establish a value for Hollywood-Burbank Airport. The appraisers used the replacement cost method because they felt the earnings restriction and the lack of similar market transactions made the use of the other two traditional methods inappropriate.

Similar concerns led the President's private sector survey on cost control to use ratios and indexes to update earlier appraisal information on National and Dulles in order to estimate a sale price for the two airports.

In summary, if the Congress decides that it wishes to obtain fair market value for the airports, there are, in our view, two methods that could be employed. Fair market value could be estimated by using either the modified discounted future earnings method or the replacement cost approach.

Congress could consider a cost-recovery method. In transferring the airports, the Congress could recover what the airports cost the Government. Costs reflect the value of an asset when it was either purchased or built. Since many assets increase in value over time, some economists and appraisers would argue that original costs may understate the current value of an asset. However, in the opinion of members of the Advisory Commission on the Reorganization of the Metropolitan Washington Airports, in selling the airports, the Federal Government should only seek to "make itself whole" by recovering the airports' costs.

We have identified two methods to measure the cost of the airports—the book value of the airports, and the Government's hypothetical indebtedness to itself for the airports.

Book value is the original purchase cost of the land, plant, and equipment of the airports less accumulated depreciation of the plant and equipment. Book value has been proposed in the past as a transfer value for the two airports. Federal Aviation Administration [FAA] accounting records indicate that as of May 31, 1985, the combined book value of the two airports was $111.4 million. The book value of National was $29.4 million, and the book value of Dulles was $81.8 million. The book value of the consolidated facilities shared by both airports, that provide, for example, accounting and personnel functions, was about $180,000.

According to BWI and Maryland Department of Transportation officials, the book value of BWI formed the basis for the 1972 transfer of the airport from the city of Baltimore to the State of Maryland. Although there are limited records on how the transfer price was determined, these officials told us that the $36 million price was arrived at by adding the $30 million book value of the airport's assets to a $6 million adjustment factor that was intended to reflect a rate of return to the city of Baltimore for its ownership of the airport.

The bill before you proposes that the Government recover its hypothetical indebtedness to itself for the airports. Hypothetical indebtedness is the difference between Federal appropriations from past years for the airports' capital and operating costs, and the fees and charges FAA has collected for airport services and deposited in the Treasury's general fund. In essence, the hypothetical indebtedness represents the Federal Government's investment in the airports that it has not recovered through airport revenues. According to FAA accounting records, the hypothetical indebtedness as of May 31, 1985 was about $52 million.

Hypothetical indebtedness is different from book value. Book value does not take into account the costs of operating the airports or the revenues the airports have generated. Hypothetical indebtedness, on the other hand, includes both the airports' capital and operating costs and reduces them by the amount of revenues the Government has collected at the airports. It represents the amount the Government has spent on the airports that it has not yet collected in revenues.

We have two general observations on the proposed application of hypothetical indebtedness as a valuation method.

First, some of the costs expended by the Government on the airports are not included in FAA's calculation of the hypothetical indebtedness. For example, FAA has designated the cost for the land and construction of the Dulles access road as a nonrecoverable cost. FAA has excluded these costs because in the agency's view, if National and Dulles were public airports they would have received funds for the excluded items through Federal grants and would not have tried to recover these costs through their fees. FAA accounting records indicate that about $61.6 million has been designated as nonrecoverable. We did not review the appropriateness of FAA's determinations on nonrecoverable costs. However, if it selects the hypothetical indebtedness method, the Congress may wish to conduct such a review.

Second, if the airports are considered separately, the hypothetical indebtedness method results in an unusual valuation. Since National has collected revenues that have exceeded its recoverable costs by about $59 million, this method could result in National being assigned no value. On the other hand, Dulles has not collected enough revenue to recover its costs. On the basis of this method, Dulles would be valued at about $71 million. This separation, however, does not include about $40 million spent to operate the consolidated facilities that serve both airports.

The Federal Government has transferred some airports at no cost. In closing, let me note that the Federal Government has, in the past, transferred former military airports to State and local governments at no cost. The Federal Property and Administrative Services Act of 1949, in combination with the Surplus Property Act of 1944, allows an agency to transfer any properties that it has determined are surplus to its needs and responsibilities. While primarily used to facilitate the disposition of excess property acquired during World War II, these acts have been used over the last 40 years to transfer 634 airports to State and local governments at no cost. While most of these transfers occurred in the 1940's and 1950's, the most recent transfer was in Ohio during 1983.

While a similar transfer could be accomplished for National and Dulles, it is not clear to us that these airports could be designated as surplus; this approach, then, may have limited applicability.

Mr. Chairman, this concludes my statement. Thank you.

Senator MATHIAS. Thank you very much. I think perhaps it would be most efficient to ask the other witnesses to testify, and then to address some questions to the panel.

Mr. Mishler?

Mr. MISHLER. You would like me to address questions or——

Senator MATHIAS. If you would give us your statement at this time, and you will note that we have a green, yellow, red traffic system right in front of you on the table. And you'll get the green light when you start——

Mr. MISHLER. And the red light when you would like me to stop.

Senator MATHIAS. The usual system.

Mr. MISHLER. Thank you, Mr. Chairman. The Grace Commission was created by the President to bring a private sector viewpoint to the Federal Government to try to make the Federal Government more efficient.

We were instructed to act as if the Federal Government was our company, and the American taxpayers were our shareholders. The Grace Commission suggested defederalizing the Metropolitan Washington Airports [MWA] for three reasons.

The first reason is that the FAA has the conflicting role of being both the supplier and the regulator of air transportation services. The second reason is that local involvement in the management of Dulles and Washington National Airports is currently limited due to Federal ownership. The third reason is that ownership of the airports under the existing structure does not provide a stable financial base which, in turn, does not allow for ideal long-term planning for the development of the two airports for the benefit of the community. Under the present structure, funds for capital improvements, both large and small, must go through the Federal budgetary process, and be authorized and appropriated annually.

The transfer price recommended by the Grace Commission would be the appraised value of the airports. The appraisal would be conducted by an independent appraisal company, who is experienced in asset valuation, to assure no political bias in setting the transfer price. The transfer price should be the amount at which the assets would exchange between a willing buyer and a willing seller in an agreement reached in an arms-length negotiation. Included in the valuation would be the physical condition and useful life of the assets as well as maintenance and capital expenditures necessary for the asset's continued use.

A good example would be the latest transfer of the privately owned Burbank Airport in 1978, to the newly created Burbank-Glendale-Pasadena Airport Authority. I have attached the Burbank Airport appraisal cover letter written by the American Appraisal Company who conducted this appraisal. The Grace Commission estimated that the appraised value of Washington National and Dulles Airports would be $341 million.

An estimate was necessary because to actually hire a company to appraise the assets for this report would not be practical. Three methods were used at arriving at an estimate.

First, we adjusted for inflation, the historical capital expenditures of the airport.

Second, we took the relationship between the book value and the appraised value, for the Burbank Airport transfer in 1978, and applied this relationship to the current book value of MWA.

Third, we took the relationship between the appraised value and book value for National and Dulles Airports when they were appraised for sale in 1972, and applied this relationship to the current book value of MWA.

We felt that the airport authority that is created should have local representation as well as Federal interests on the board. That way everybody's concerns would be maintained.

In closing, I think regardless of the price that is settled on to transfer these airports from the Federal Government to a local airport authority, I think that the most important consideration is that the airports of National and Dulles do become defederalized.

Thank you, Mr. Chairman.

Senator MATHIAS. Thank you very much. Without objection, that material will be inserted in the record at this point.

[The information referred to and responses to questions follow:]

HOLLYWOOD - BURBANK AIRPORT
Burbank and Los Angeles, California
March 31, 1977

Copy No: 7 Issued to: M. McClintock Date: 4-27-77

AMERICAN
APPRAISAL

THE AMERICAN APPRAISAL COMPANY Corporate Headquarters, Milwaukee, Wisconsin

THE AMERICAN APPRAISAL COMPANY - HEADQUARTERS
525 E. Michigan Street. P. O. Box 664 Milwaukee, Wisconsin 53201 414: 271-7240

April 15, 1977

Lockheed Aircraft Corporation
Burbank, California

Gentlemen:

We have made an investigation and appraisal of certain property exhibited to us as being owned by Lockheed Aircraft Corporation and generally known as the

HOLLYWOOD-BURBANK AIRPORT

located in Burbank and Los Angeles, California, for the purpose of expressing an opinion of the fair market value of the designated property as of March 31, 1977. This report is an updated revision of our appraisal made as of December 31, 1974 - incorporating property boundary changes and the impact of the changing economic conditions.

For the purpose of this report, Fair Market Value is defined as "the highest price estimated in terms of money which the land (property) would bring, if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all uses and purposes to which it was adapted and for which it was capable." (Sacramento Southern Railroad Company vs. Louise R. Heilbron. Sac No. 1594, October 29, 1909, 156 Cal 409.)

Since the Hollywood-Burbank Airport is presently devoted to providing scheduled air transportation service to the public and our investigation indicates that it would continue to do so under all of the current regional airport studies, Fair Market Value can also be defined as "the amount at which the property might exchange between a willing buyer and a willing seller, both having full knowledge of the facts (capability and utility of the property), and both buyer and seller contemplating retention of the facilities at the present location for continuation of the operations."

PURPOSE OF THE APPRAISAL

This appraisal investigation was conducted to provide Lockheed Aircraft Corporation (hereafter referred to as Lockheed) with an opinion of the fair market value of the designated property encompassing some 442± acres, to assist Lockheed in corporate decisions regarding continued ownership under current business conditions. Such a transfer of ownership has several important considerations:

A. Immediate sale of the property would enable Lockheed to convert the fair market value of these assets into cash or financial credits.

B. A transfer of ownership would enable the City of Burbank, or any other State-chartered authority, as sponsor, to enter into the area of commercial airport management which is more a function of the public sector rather than private enterprise; and

C. Disposal of the Hollywood-Burbank Airport would, in no way, have any adverse effect on Lockheed's manufacturing commitments or government contract deliveries.

The appraisal investigation was undertaken with the full knowledge and understanding that the City of Burbank and the U. S. Department of Transportation (Federal Aviation Administration) had previously entered into a planning grant agreement (A-06-0031-01) to conduct an Airport Master Plan Study on the facility.

DESCRIPTION OF THE PROPERTY

The appraised property comprises Hollywood-Burbank Airport, a regional commercial and general aviation facility operated by Lockheed Air Terminal, Inc. (LAT), including the terminal facilities and the area formerly occupied by Lockheed-California Company (CALAC) Plant B-5. The airport has been in operation since 1929 under four names - United Airport, Union Air Terminal, Lockheed Air Terminal, and effective February 20, 1967, Hollywood-Burbank Airport.

The property is generally bounded by Hollywood Way on the east, Empire Avenue on the south, Vineland and Clybourn Avenues on the west, Sherman Way on the northwest, and San Fernando Road on the northeast. A "clear zone" for aircraft instrument landing approaches extends west from Vineland Avenue to Tujunga Avenue.

The total airport-industrial complex of which the airport is a major part consists of 628+ acres developed with more than 4,600,000 square feet of industrial buildings, miscellaneous sheds, guardhouses and barracks type structures, runways and taxiways, yard and parking lot improvements, and utility distribution networks. Of these totals, about 442 acres of land and approximately 1,150,000 square feet of buildings are the subject of this report.

For the purpose of this study, the property was considered in two areas having separately identifiable uses:

> Main Airport Area - Airport operations (area generally within the 1,500 foot runway limits) encompassing the runway system and the present terminal and parking lot areas, and the fixed based operations areas along north side of Runway 25 and the hangar area northwest of the runway intersection. The clear zone area west of Vineland Avenue is also included.
>
> Adjoining Commercial Area - The area formerly occupied by California Lockheed Corporate (CALAC) and designated as Plant B-5. This area is immediately adjoining the airport and offers leased facilities for related industries and provides necessary off-terminal parking and car storage for the car rental agencies which are an integral part of the airport services.

PROPERTY INCLUDED IN THE INVESTIGATION

The property appraised comprises land, buildings, land improvements, and all fixed process or manufacturing systems associated with the included buildings. The building classification includes fixed service systems such as plumbing, sewerage within building boundaries, heating and air conditioning, electric lighting with 110 volt convenience outlets and telephone conduits, automatic fire protection sprinklers and buildings elevators.

Land improvements consist of runways, taxiways, aircraft parking and service aprons, retaining walls, blast fences, paving, fencing, yard lighting, sewers, and fire protection distribution networks.

Fixed process or manufacturing systems include electrical power mains and distribution wiring with associated substations, switchgear, transformers and distribution control panels, piping system for air, water and gases, service equipment such as communications, alarm and vacuum cleaning systems, materials handling installation consisting of bridge and monorail craneways and hoists, and aircraft or automotive fueling stations with tanks and loading racks which have continued utility to an airport operator or lessee.

PROPERTY EXCLUDED FROM THE INVESTIGATION

Property specifically excluded from the investigation comprise aircraft manufacturing machinery and equipment; general plant equipment; shop equipment and tools; dies, jigs and fixtures; office furniture and equipment; drawings; technical data; and all current assets. No inclusion has been made for any leasehold improvements by others made to Lockheed property, other than the Qualitron hangar facilities, which revert to LAT upon termination of the lease.

THE APPRAISAL REPORT

Our report of this investigation and appraisal consists of:

a. This letter of transmittal, which identifies the property under review, discusses the valuation theory and procedures appropriate to the appraisal of a special-purpose property for continued use, and summarizes the results of the investigation and appraisal.

b. A narrative appraisal report section, treating in detail the scope and extent of the investigation, the character and operation of the designated properties, the various elements of value associated with special purpose commercial and industrial property, and explanatory information to support the conclusions reached.

VALUATION PREMISES AND CONSIDERATIONS

In formulating our opinion of the fair market value of the Hollywood-Burbank Airport property, a personal inspection was made of the facilities (most of which have been under continuous American Appraisal service since the late 1940's), and consideration given to:

> A study of the highest and best use of the designated property including an analysis of the present and future utility, in the light of recent studies on the regional air traffic activity and resulting airport facility needs of the Southern California Region.

Market value of the land as if vacant with consideration to sales and asking prices of vacant sites in the Los Angeles area, and the location, extent and utility of the appraised land in the current real estate market as reflected in the analysis of recent local sales, adjusted for comparability to the subject.

An estimated current cost new of the property based on current prices for materials, construction labor, manufactured equipment and contractors' overhead, profit and fees, and indirect costs during construction consisting primarily of interest, taxes and insurance.

Physical deterioration observed during the personal inspection of the property, which cannot be remedied by rehabilitation or future maintenance and repair.

Current effective age and estimated future utility of the property based on analysis of past utilization and current maintenance policies.

Estimated costs of rehabilitating certain items of deferred maintenance, or replacement of service equipment deemed inadequate to meet future demands on the property.

Investigations into the degree of comparability and terms of sale of transfers of ownership involving improved airport or aircraft-related manufacturing facilities adjoining publicly owned airports.

An investigation into landing fees, and airport facility rentals at other airport locations throughout the United States.

Detailed analysis of the airport operations with emphasis on revenues from all sources, expenses, passenger volume capable of being handled by the existing facilities, the time necessary to achieve these levels and the resulting impact on the operating income which will be available to a public purchaser for debt service.

And, the fact that approximately 350 acres of the property situated in Burbank are within the Golden State Redevelopment Area of the City of Burbank in accordance with Ordinance No. 2269 dated December 29, 1970, which was instituted pursuant to the California Community Redevelopment Law.

CONCLUSION OF VALUE

In our opinion, subject to the limiting conditions set forth in Section 5 of the report, the Fair Market Value of the designated property owned by Lockheed Aircraft Corporation, appraised as of March 31, 1977, is reasonably stated in the amount of FIFTY NINE MILLION, ONE HUNDRED SEVENTY-FOUR THOUSAND, THREE HUNDRED DOLLARS ($59,174,300), summarized as follows:

Hollywood-Burbank Airport
Fair Market Value Summary
As Of March 31, 1977

	Main Airport Area	B-5 Area	Total
Land	$37,300,000	$2,350,000	$39,650,000
Land Improvements	7,394,200	354,300	7,748,500
Buildings and Structures and Systems	8,684,300	3,091,500	11,775,800
Total Appraised Value	$53,378,500	$5,795,800	$59,174,300
Calculated Land Area	416.5±	25.6±	442.1±
Gross Floor Area of Buildings	750,902	401,213	1,152,115

In our opinion the investigation considered in detail all of the factors necessary and appropriate to justify and support our valuation conclusions.

We have not investigated the title to or any liabilities against the property appraised.

Respectfully submitted,

THE AMERICAN APPRAISAL COMPANY

By R. L. Nichols

Vice President

R. L. Nichols
April 15, 1977

RESPONSE OF MR. MISHLER TO WRITTEN QUESTIONS SUBMITTED BY SENATOR MATHIAS

Question. The indebtedness to be paid by the airports authority to the U.S. Treasury.

Answer. The Grace Commission recommended that the Metropolitan Washington Airports (MWA) be sold to a newly-created airport authority for the appraised value of the properties given the continued use as airports. The value, estimated to be $341.5 million, must be determined by an independent appraisal company. To ask only book value of MWA would be an absurdly low price and unjust to the American taxpayer.

Two precedents exist for an appraisal of the MWA assets. First, the Federal Government had MWA appraised in 1972 when considering the sale of these airports to an authority. Second, in 1978, Burbank Airport, the last privately owned airport in the United States served by commercial airlines on a regularly scheduled basis, was sold by Lockheed Corporation to the Burbank-Glendale-Pasadena Airport Authority. The selling price was determined by an independent audit to value the airport property.

It is important to state that the $341.5 million figure used by the Grace Commission is an estimate of what an appraisal of MWA would yield. For the Grace Commission actually to hire a company to appraise the MWA assets was not practical. Such an estimate was necessary to determine the financial impact of the sale on the Federal Government and to discuss the impact on the level of service provided by MWA.

The $341.5 million estimate was based on an average of three figures arrived at by different methods.

1. Adjust the MWA appraised value in 1972 and any capital expenditures since that time to today's constant dollars using the GNP price deflator.
2. Apply the relationship between the book value and the appraised value of MWA in 1972 to today's book value of MWA.
3. Apply the relationship between the book value and the appraised value of Burbank Airport in 1978 to today's book value of MWA.

Question. The federal interest in retaining certain restrictions at Washington National Airport with respect to the perimeter rule, hourly slots, night-time noise limits, passenger cap, and landing fees.

Answer. The Grace Commission recommended no changes in the day-to-day operations of Dulles and Washington National Airports. The most important restriction required by the Grace Commission was that the transferred property must continue to be used as airports, or purposes usually associated with airports. As will be discussed in greater detail later in this testimony, the Grace Commission had the interests of the Federal Government and the surrounding community in mind when it suggested the make-up of the new Authority's Board of Directors. With these interests on the Board, the concerns of all parties affected by Washington National Airport would be heard.

Question. The degree to which a "level playing field" is assured for the three commercial airports serving the Greater Washington region in terms of airport operating revenue, competition for air carriers, and flights.

Answer. The Grace Commission recommended Congress pass legislation that would create a local airport authority that would then purchase MWA at its value determined by an appraisal. A Board of Directors for this authority should include aviation, community, and Federal interests. The following Board representation was proposed by the Grace Commission.

Proposed Board of Directors

Representation:	*Number of members*
(1) Virginia	2
(2) The District of Columbia	2
(3) Maryland [1]	2
(4) The U.S. Senate	1
(5) The House of Representatives	1
(6) General Aviation	1
(7) Air Carriers	1
(8) The Military	1
(9) Total	11

[1] Maryland would have the option of participating.

As the chart shows, the Grace Commission felt that local representation was important on the Board of the new airport authority. At that time, it was not known if

Maryland would choose to join, but the option would be Maryland's. To assure that Federal interests were maintained, the Senate and House of Representatives would each appoint one member. The President would appoint three representatives from General Aviation, Air Carriers, and the Military.

Question. The environmental impact of the proposed transfer and the point in time at which such an evaluation, if warranted, should be made.

Answer. Environmental impact of the MWA transfer was not addressed by the Grace Commission.

Question. Impact on the level of service to the air traveling public.

Answer. Dulles and Washington National Airports are the only major commercial airports in the United States that are owned and operated by the Federal Government. Although no changes in day-to-day operations were suggested by the Grace Commission, MWA can provide better service to the air traveler if owned and operated by a local airport authority. There are three reasons for this. First, the F.A.A. has the conflicting roles of being both supplier (through MWA) and regulator of air transportation services. The second reason is that local involvement in the management of Dulles and Washington National Airports is currently limited due to Federal ownership.

The third reason is financial. Ownership of MWA under the existing structure does not provide a stable financial base which, in turn, does not allow long-term planning for development of the airports for the benefit of the community. Under the present structure, funds for capital improvements, large and small, must go through the Federal budgetary process and be authorized and appropriated annually.

Assuming MWA was sold for $341.5 million, the financial impact on users of MWA would be minimal. The Grace Commission, using a worst-case scenario, assumed that the airport authority would finance this capital cost entirely through increased landing fees at both Dulles and Washington National Airports. (The costs would actually be recovered through increasing a combination of non-aeronautical parking and concession fees and aeronautical space rentals and landing fees). The worst-case impact would be increased landing fees at both airports from the current $0.55 per 1,000 pounds of landing weight to approximately $2.38. If, indeed, the landing fees were the only amount increased (i.e., if parking, concession, and space rental fees were kept constant), then the resulting landing fee structure would be comparable with Newark Airport.

Although airlines, in this scenario, would shoulder the impact of the sale of MWA, the impact would not be too harsh for three reasons:

1. Airlines at other airports have shown willingness to accept an increase in landing fees for improved service.
2. Airport costs are, on average, 3.5% of total airline operating expenses, and landing fees represent only a fraction of this percentage.
3. For a Boeing 727-200, the landing fees would increase from $92.95 (at $0.55 per 1,000 pounds) to $402.22 (at $2.38 per 1,000 pounds).

Mr. CRAIGIE. Mr. Chairman, I am Walter W. Craigie, Jr., executive vice president of Wheat, First Securities of Richmond. Jack Howe was substituting for me in case I didn't get back from vacation in time to be here. I'm pleased to be here.

I have more than 30 years of experience in investment banking, including State government service, with a heavy emphasis of public finance and in structuring authorities such as those proposed under S. 1017; and financing such major projects as the airports involved here.

With me today is Greg Dyer, vice president of Salomon Brothers.

Mr. DYER. Thank you, Mr. Craigie. Salomon Brothers is active in both the public and corporate markets and we serve as senior managing underwriter for over $2 billion worth of financing since 1980 at Chicago O'Hare Airport; Massachusetts Port Authority, Logan Airport; Dayton, OH; Clark County, NV; MacLaren Airport, McLenna Airport, Orleans Airport, Dallas-Fort Worth Regional Airport; Connecticut-Bradley Airport; as financial adviser to the San Francisco Airport.

Senator MATHIAS. You omitted OMB.

Mr. **Dyer**. Yes, sir. On the corporate side, we serve United Parcel Service, Emery Air Freight, American Airlines, Pan American, New York Air, British Airways, Republic Airline, Flying Tigers, and a number of other regional carriers.

As such, we believe that we are competent in the area of investment banking and serving the whole profession, analyzing the potential economic impacts of transfer of the Washington National and Dulles Airports.

Mr. **Craigie**. With us today, Mr. Chairman, also is Mr. Frank Robinson, general partner of Ramswood, Ivey, and Fisher, who along with Hunt and Williams of Richmond, VA, rendered legal assistance to the Commission. Mr. Robinson also would be available to comment on the proposed tax law changes and how they would impact tax-exempt financing of the proposed authority.

Wheat, First Securities and Salomon Brothers served as unpaid financial advisors to the Advisory Commission for the reorganization of the airports. And what we would like to do is submit our report concerning certain financial aspects of the transfer of Dulles and National airports dated November 29, 1984, and supplements dated June 25, 1985, and also July 9, 1985, for the record, for you and your subcommittee's review.[1]

Senator **Mathias**. They will be included in the record.

Mr. **Craigie**. In our remarks this morning, Mr. Dyer will outline a summary of our most recent allocation of costs of the Metropolitan Washington Airports, which includes $240 million in capital costs of improvements. At Washington National, it would be approximately $100 million, and at Washington Dulles, which would be approximately $140 million; $47 million in purchase price to repay the Federal Government for the remaining unamortized hypothetical indebtedness conferred by the MWA to finance the two airports; and an upfront payment of $37 million to fund nonfunded pension liabilities of approximately 700 employees of Metropolitan Washington Airports, who will be transferred to the proposed local government authority.

Mr. Dyer will also comment on the potential impact of the proposed tax law changes, which may require that payment of part of the capital improvements to be financed will be done with taxable bonds rather than tax-exempt bonds. He also is prepared to respond to the CBO statement on financing costs inserted in the Senate Commerce hearings on June 26. And I'm prepared to comment on fairness of transfer with respect to the potential impact on BWI; and also to comment on the Grace Commission methodology in developing a $341.5 million sales price for the airports.

In summary, it is the opinion of Wheat, First Securities and Salomon Brothers that the legislative proposal as outlined in S. 1017 is a sound and efficient way to transfer the two airports from the Federal Government as recommended by the Grace Commission, to a new Metropolitan Washington Airports Authority with an 11-member board consisting primarily of residents from the area the airports serve.

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[1] See pp. 229, 319, and 343.

According to the COG report, National and Dulles serve more than 90 percent of the passengers in the immediate Metropolitan DC area, as compared to 8 or 10 percent which come from BWI. The management of the two airports and staff are already in place, and will merely shift from Federal jurisdiction to a more efficient, local government jurisdiction.

Our numbers for landing fees, terminal rental charges, and total costs per plane passenger indicate that the two airports will be competitive, albeit at higher relative charges than exist today, after funding the $240 million in capital improvements, and $84 million in acquisition costs from the Federal Government.

Airline and airport users, including Members of Congress and their constituents, and residents of the Metropolitan Washington area, even including the broader area which you mentioned, Mr. Chairman, will finally have facilities which will give adequate service to the Washington Metropolitan area.

Demand growth factors for both Metro Washington and Metro Baltimore indicate the need for these few facility improvements, but also indicate that there will be a continued, increased demand at BWI between now and the year 2000.

With your permission, Greg Dyer will go into the character of the alternative answers.

Senator MATHIAS. Mr. Dyer?

Mr. DYER. Thank you, Mr. Chairman. Without going into the myriad of assumptions which we utilized in our computer model to analyze the financial impact with respect to financing improvements at the respective airports, I would like to draw your attention to the most recent study, which we prepared dated July 9, and address the summary table on page 2.[1]

This table analyzes the impact of a different purchase price; that is, in one case, we utilized the same $240 million of improvements, and $37 million of an upfront pension payment. And we alter the purchase price. In the first case, we utilized the $47 million as suggested in the legislation. In the second case, we utilized the $341 million as the average price suggested by the Grace Commission.

The results of that analysis are quite striking. First, on a gross basis at the combined airports, landing fees would rise from approximately $1.26 per thousand pounds to $2 per thousand pounds at the higher purchase price. The cost for enplaned passengers would go from $9 per passenger to approximately $11.95 per passenger on a combined airport basis, for an increase of 33 percent to be paid for by the passengers over the life of the facilities.

If you were to separate those airports, in the case of the $47 million purchase price, the landing fees at National would approximate 47 cents per 1,000 pounds, versus $2.88 per 1,000 pounds at Dulles. And the bottom line cost for enplaned passengers would go from $5.35 at National to $18.73 at Dulles.

This differential is further exaggerated when you utilize a $341 million purchase price. In that instance, landing fees at National approximate $1.02 versus $4 at Dulles; and costs for enplaned passengers approximate $7.38 at National versus $24.14 at Dulles.

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[1] See p. 348.

I submit that at the higher purchase price, the costs on a relative basis, as suggested by this analysis, would have an adverse impact on bond ratings and the ability of those airports to finance on an individual basis. It may also have an adverse impact even on a combined basis, with the $341 million purchase price.

We analyze other cases in this memorandum, and as Walter indicated, 2 weeks ago we also reviewed a potential of the passage of the Treasury proposal with respect to tax-exempt financing for airport improvements after January 1, 1986.

The impact of taxable financing versus tax-exempt financing is not as great on the cost per passenger as is the $341 million purchase price. In our opinion, the relative costs, landing fees, and cost per enplaned passenger, can be accommodated even if the airports would be financed on a taxable basis, should the legislation be passed.

Finally, I would like to address the Congressional Budget Office memorandum of June 25 which focused on the Federal tax expenditures of the airport improvements. And I draw your attention to the summary table on page 6 of the July 9 memorandum.[1]

By their own analysis, the construction outlays approximated $250 million; interest during construction approximated $77 million, for a total construction outlay plus interest cost to the Federal Government of $327 million. Versus tax expenditures $250 million on a gross basis.

On a net present value basis, that gross construction outlay was $282 million versus $108 million; therefore, by their own analysis it is cheaper to the Federal Government to have an independent entity finance these improvements, albeit on a tax-exempt basis.

However, we made certain refinements to their analysis. In the first case, they assumed a construction drawdown on an average basis, according to historical trends. We have more precise information, and we utilized it as estimated by the MWA staff for construction of those improvements.

Very quickly, they didn't use amortization of bond principal in their analysis. Municipal bonds are repaid very much like a fixed-rate home mortgage—principal is amortized annually. That has the effect of reducing total interest over the life of the financing.

Finally, they use a method of calculating net present value which assumes that all of their costs in any given year occur on the first day of the year. Well, we all know that you don't get your interest on a bond on day one of the year. You get it semiannually at the end of 6 months and at the end of 12 months, so we further refined their analysis.

A combination of these three factors reduced their $108 million present value figure to approximately $90.1 million.

Thank you, Mr. Chairman.

Senator **Mathias**. Thank you very much. Let me start with Mr. Mishler, and look at the way the Grace Commission computed value, and arrived at a sum of $341.5 million.

This was the red book method, was it?

Mr. **Mishler**. Excuse me?

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[1] See p. 352.

Senator **Mathias**. It was the red book method?

Mr. **Mishler**. I'm not familiar with that method.

Senator **Mathias**. Well, we country lawyers know about red books because we have to settle little automobile accident cases, when you have a total loss, we take out the red book, and you figure out that a 1979 Chevrolet, four-door sedan is worth so much. And that's what the red book tells you. So you looked at the red book and you said, well, an airport with so many feet of runway and so many feet of office space has got a red book value of $341.5 million. Because that's the last sale, the Burbank sale, of a comparable airport. Right?

Mr. **Mishler**. Partially right, yes, more or less. We took a ratio of what an appraised value was, and what the book value was, and said if you would apply that ratio to National and Dulles airports, this is an approximation of what value you may be able to expect.

Senator **Mathias**. Did you look at real estate values in Burbank and real estate values in Washington?

Mr. **Mishler**. Well, in comparing the two, we did not.

Senator **Mathias**. Well, I don't want to be unfair, but I think the red book value is a reasonable description of what you did.

Mr. **Mishler**. Well, all right. I think that is most important is the technique that's used of a valuation and the $341 million is an approximation of what that may yield.

Senator **Mathias**. And the taxpayers of the United States might come out better under the red book system than under some of the other systems that are being considered.

Mr. **Mishler**. Well, regardless, the evaluation would give you the fair value of the properties for their given use, which in a normal business situation, would be involved with your arms length transaction.

Senator **Mathias**. Well, now let's turn to the Wheat-Salomon method.

You applied what the traffic will bear principle, right?

Mr. **Craigie**. User pay, yes, sir.

Mr. **Dyer**. On a residual basis, that's correct, sir.

Senator **Mathias**. You looked at the operation of the airports, you looked at what kind of revenues would be likely to be generated, and you said we'll pay up to this amount because that's all we can afford to pay.

Mr. **Craigie**. Actually Mr. Chairman, in the final analysis, both the airport users, that is the airlines, as well as the people who use the airports and the airline users, will be the ones who determine whether they will use National and use Dulles. There is a relative cost basis as to how much you can do in improvements with respect as to whether they are financeable. Mr. Dyer addressed that in his breakout of the figures as to what a rating agency to protect the bond buyers would look at.

But the only revenues that we have utilized would be produced are revenues sufficient to pay the debt service to repay the Federal Government, and to pay for the cost of the improvements. There is no profit at all.

Senator **Mathias**. That's right, but that in effect put a ceiling on the purchase price.

Mr. **Craigie**. In essence, I think it would to anybody who would be a potential buyer, yes, sir.

Senator **Mathias**. Now let's turn to GAO. How much has the Government spent to build and to operate National and Dulles?

Mr. **Krueger**. According to FAA records, and these are not 100 percent accurate at this point, because some figures prior to 1940 are not available; the books show about $712 million, about $450 million of that for operation and maintenance, and $262 million for construction at the two airports. But the total figure is about $712 million.

Senator **Mathias**. And does that include the consolidated facilities?

Mr. **Krueger**. Yes, sir, it does.

Senator **Mathias**. So that's a total figure.

Mr. **Krueger**. Yes, sir.

Senator **Mathias**. Is there anything that's unique or unusual about the bookkeeping and accounting practices that have been established and followed in these airports?

Mr. **Krueger**. We obviously didn't do a full-blown financial audit of the books and records of FAA or MWA, but our general impression is they follow generally accepted accounting principles. We have no reason to question any figures. All those I've mentioned in my testimony that if the Congress decides to go with the hypothetical indebtedness method, they may want to look at those items that have been excluded from that hypothetical indebtedness to see whether they're reasonable, appropriate, and so forth.

Senator **Mathias**. And you want to give us——

Mr. **Krueger**. Such as the Dulles Access Rd., and there are a lot of other projects that have been excluded from that figure.

Senator **Mathias**. And does GAO have a list of those excluded items?

Mr. **Krueger**. I have some of the major items. I don't have dollar figures attached to these, but the total excluded from that hypothetical indebtedness was $61 million, which would include an allowance for airport improvement grants. Research and development costs for the original mobile lounge prototype at Dulles has been excluded. Cost of land and total construction costs for the Dulles Acces Rd.; value of facilities occupied by the builder and tenant; and allowance for contingencies from Public Works Program, Emergency Relief Program—these were services, assets that were donated by these old agencies back in the early 1940's. Those costs have been excluded.

Senator **Mathias**. So that would be $61 million added to the $712 million. I mean, above that, $712 million.

Mr. **Krueger**. It would be included in the $712 million. It's excluded from the $52 million of hypothetical indebtedness.

Senator **Mathias**. But it would be included in the total $712 million figure.

Mr. **Krueger**. Yes, sir.

Senator **Mathias**. That's what I wanted to hear. Now, in devising the hypothetical debt, it's my understanding that an imputed interest rate was adopted. Is that correct?

Mr. **Krueger**. There are two imputed interest computations involved, I think. The bill before you, the Senate bill, provides that the cost of the transfer would be the hypothetical indebtedness plus imputed interest. We're not sure, and I'm not sure that the writers or the framers of this legislation, know what that really means at this point. FAA currently uses an imputed interest that it adds to its cost of the Federal investment. That imputed interest is basically the current years' cost to the Treasury for long-term bond financing. I think the current rate is around 9 percent.

FAA over the years has used an average. Every year it adds an imputed interest, and then adds it all together, so you have a running average if you will of about 4-percent interest. Our understanding is that was what was proposed in the bill. The figures aren't in the bill, but that's what they had in mind. It would probably be about 4-percent interest.

Senator MATHIAS. Would the difference between the 4 percent and the 9 percent represent a subsidy?

Mr. KRUEGER. In my personal opinion, it would, yes, sir.

Senator MATHIAS. Mr. Craigie is shaking his head. We'll give him a chance to rebut that in just 1 minute.

Mr. KRUEGER. We talked with some DOT people just in the last couple of days on this point. I think DOT would admit they overlooked or didn't think out too clearly what that imputed interest really should be.

If you charge interest at 4 percent, that's equivalent to the Treasury borrowing rate of about 1967.

Senator MATHIAS. Did you review the expenditure record for repair and replacement capital expenditures?

Mr. KRUEGER. We're not really sure what that category means. I know that Wheat and Salomon use that category. I guess we have to assume that it's the construction cost, the annual appropriation by the Congress for the construction cost is about in that ballpark, $11 to $14, $15 million every year for the last 4 or 5 years.

We have not reviewed specially what that money has been spent for, or the projects that it went for.

Senator MATHIAS. But now let me ask you again, is that included in your $712 million?

Mr. KRUEGER. That would be included in the $712 million, yes, sir.

Senator MATHIAS. So your $712 million is a ballpark inclusive figure?

Mr. KRUEGER. Yes, sir. If the committee would like, sir, I have a schedule in my detailed backup book here that you may want for the record which shows by year since 1940, the annual appropriations by the Congress.

Senator MATHIAS. I think that would be very helpful, and that will be included in the record, if you will provide us with a copy of it.

[The information referred to follows:]

GROSS FEDERAL INVESTMENT IN DULLES AND NATIONAL AIRPORTS [1]

	Appropriations	
	O&M	Construction
Fiscal year:		
1940 and prior	(2)	(2)
1941	$255,650	$2,700,000
1942	377,645	0
1943	521,500	0
1944	558,000	0
1945	559,000	0
1946	714,000	4,154,000
1947	869,500	0
1948	1,102,500	0
1949	1,240,000	1,835,000
1950	1,250,000	196,500
1951	1,300,000	1,540,000
1952	1,372,000	75,000
1953	1,350,000	28,000
1954	1,350,000	400,000
1955	1,369,856	340,000
1956	1,388,000	3,125,277
1957	1,500,000	3,136
1958	1,566,000	12,750,000
1959	2,490,000	50,000,000
1960	2,400,000	22,470,000
1961	5,680,000	4,500,000
1962	5,200,000	24,300,000
1963	6,752,000	5,200,000
1964	7,567,000	2,525,000
1965	8,002,000	1,890,000
1966	8,322,000	1,250,000
1967	8,527,000	0
1968	8,650,000	160,000
1969	9,120,000	700,000
1970	10,150,000	1,900,000
1971	11,100,000	4,000,000
1972	11,467,000	[3] 3,530,000
1973	12,265,000	[3] 0
1974	14,742,000	3,000,000
1975	17,160,000	5,500,000
1976	18,602,000	11,625,000
1976 TQ	4,690,000	0
1977	21,500,000	5,000,000
1978	22,293,000	5,500,000
1979	24,488,000	5,000,000
1980	27,327,000	6,785,000
1981	29,208,000	[3] 15,700,000
1982	30,438,000	[3] 16,423,300
1983	32,455,000	[3] 10,170,000
1984	34,833,700	14,250,000
1985	36,439,000	13,000,000
Total	450,511,351	261,525,213
Grand total	$712,036,564	

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[1] These figures were determined by MWA's Budget Office by reviewing appropriation acts, old accounting records, etc. It may not be "100 percent accurate" but according to MWA officials it represents the best available.

[2] Not available.

[3] Net of funds transferred to other appropriations.

Source: Eldrige Foster, Budget Office, MWA.

Senator **Mathias**. Now Mr. Craigie was reacting to your statement that you thought that the difference between the imputed interest and the going rate was a subsidy.

Mr. CRAIGIE. I would say, Mr. Chairman, it is not a subsidy. The average, actual imputed interest cost is 4.9 percent, and it is derived by having taken what the interest cost was on Treasury financing in the year in which the indebtedness was incurred. The major part of the indebtedness incurred by National and by Dulles was in the early 1940's, and in the case of Dulles, in 1962. Back at that time, interest rates were lower than 4.9 percent.

Since that time, it averages up as you have higher interest rates, which the Federal Government has to pay to finance. But it's a natural average, on-going average which MWA has done on its own volition, not a requirement by law, in order to try to operate as a regular, independent airport authority would operate.

I would also say, Mr. Chairman, that I've heard of all the expenditures, including $450 million in maintenance and operation, but I have not heard anything from Mr. Krueger as to how much the Federal Government has received in revenue produced by the two airports since they were first constructed. I would say if he gave you that figure, the $712 million which shrink very dramatically.

In addition to that, revenues and repairs and maintenance, the average of $12 million a year, is really on-going operations, just like regular expenditures you make on your automobile to keep it up and keep it operating. And that is what we've included on an on-going basis as given to us by the management of MWA with which to operate. And that's also included in our figures on an ongoing basis.

Senator MATHIAS. Well, I'm wondering. If I went out to refinance the mortgage on my modest home, whether I could get interest imputed or otherwise, at the rate in which it was originally, the original obligation was incurred.

Mr. CRAIGIE. Let me answer that in this fashion. It seems to us the appropriate——

Senator MATHIAS. I'm afraid the answer is one word.

Mr. CRAIGIE. You can normally assume a mortgage, if you're assuming a mortgage on an earlier VA loan, that may be a 4¼- or 4¾-percent loan, you assume that mortgage if it's transferrable. In this particular instance, the Congress will decide whether this hypothetical indebtedness should be transferred or not. I could say that on the $47 million, it would not be a major impact in the financing, if in place of this big hypothetical indebtedness, if you wanted to go ahead and put what a current market rate would be as of the time of transfer. It would not materially affect the financial feasibility of the financing. I would say, however, that MWA on its own volition, has been paying interest to the Federal Government for all these years when it didn't even have to. Maybe you would take that into consideration.

Senator MATHIAS. Of course, all those years it was a function of the Federal Government, so it wouldn't make much sense to take it out of one pocket and put it in the other; although we do other things that don't make much more sense than that, I must say.

Did you look at the airports separately, or did you only look at a combined operation?

Mr. DYER. Mr. Chairman, we looked at them in both fashions. As I demonstrated in the table on page two, we analyzed it on a combined basis, then allocated the purchase prices in a very simplistic fashion; 50 percent of the purchase price allocated to each airport, to arrive at the individual cost at each airport.

Senator MATHIAS. Did you look at the possibility of including BWI in some fashion in the combined operation?

Mr. DYER. At the beginning of our analysis in September 1984, we had considered that, but the representatives from Maryland indicated that they were not interested at that point in time. So we isolated our analysis strictly to the National and Dulles Airports.

Senator MATHIAS. Now Mr. Craigie said earlier—well, let me ask you again, Mr. Craigie. You had some use figures in your original statement as to the generation of traffic from the Washington metropolitan area to Dulles and Washington and BWI. Could you refresh my memory on those figures?

Mr. CRAIGIE. The use figures come from what they commonly call the COG report, or study report, done in 1981 and 1982, and I think the most current figures available; that is for passenger traffic which is going from metropolitan Washington area, that 90 percent or more of that traffic comes from Washington National and Washington Dulles; and approximately 8 to 10 percent actually comes from BWI to Washington, DC, itself, the metropolitan area. That is not to say that BWI has not had dramatic growth, Mr. Chairman, on its own during that period of time. As a matter of fact, BWI sort of stands out as the stellar star in growth of traffic, having increased from 3,764,000 commercial passengers in 1980, or 18 percent of the total region; in 1984, approximately doubling to 6,675,000, or 27 percent of the total passenger traffic, if you take the Baltimore metropolitan and Washington metropolitan areas at the time. Dulles has gone from 2.5 million, or 12 percent, to 3.4 million, or 14 percent. National has gone from—has been static at 14.3 million, or 70 percent in 1980, to a figure of 14.57 million, or 59 percent in 1984.

So a very dramatic increase has taken place at BWI. Part of that has been due to the lid that has been placed on National, and obviously part of it is due to the new and improved facilities at BWI.

Senator MATHIAS. But part of it is the interaction between the three airports.

Mr. CRAIGIE. The interaction primarily came from lid at National, and part of that traffic went over to BWI. But I would say the major part went to BWI because of the improved facilities, and therefore more airlines are flying out of BWI. So it picked up the normal traffic that it would from people who live in that area. In fact, I think 41 percent of the people who use BWI live in the immediate area.

Senator MATHIAS. What attention did you give to projections of increased airline traffic and passengers through the end of the century?

Mr. CRAIGIE. Airline traffic in the Washington-Baltimore area increased from 4.3 million to 9.2 million from 1969 to 1983, it approximately doubled. Looking at the passenger growth, the forecast range for the year 2000 is for a minimum of 11.9 to 16.1 million originating passengers. And that growth is expected to be a minimum of 30-percent to 75-percent increase by then. That is from a Metropolitan Washington Council of Governments, the Public

Transportation Planning Board, Maryland Department of Transportation, Transportation and Planning document.

In addition to that, Peat, Marwick, and Mitchell, in doing their historical forecast of passengers and plane routes, have indicated that they believe that the traffic estimate from the Baltimore-Washington region increased from 9 million, with a minimum baseline forecast of 16 million; and a more likely forecast of 20 million by the year 2000.

And I would submit to you, Mr. Chairman, that that type of growth and demand is existing at all three airports in the two major regional areas, that there is going to be more than enough demand, more than enough traffic for each of the three airports between now and the year 2000. Then it may be there is a shortage of capacity at the three airports, rather than a surplus.

Senator MATHIAS. Well, now, we are very close to the ceiling at National.

Mr. CRAIGIE. That's correct, and in our figures, we used a ceiling of 16 million, even though the proposed legislation removes the cap, but maintains the slot. We did that in order to be conservative, in that we believe that as BWI figures to expand and as Dulles expands, that there will be some diversion of traffic, particularly from National to Dulles, in that a substantial number of the people who live in that area that now use National have a preference to use Dulles, but the facilities are not adequate; nor is the traffic coming in and out of there.

Senator MATHIAS. But if we're about at the limit of saturation at National, which we are pretty close to, both with respect to ground facilities as well as landings, and even if you bring in bigger planes, you can't handle the larger passenger loads on the ground under existing conditions.

Mr. CRAIGIE. Not without the improvements.

Senator MATHIAS. So then more and more people from the Washington area will of necessity be using the Baltimore-Washington Airport.

Mr. CRAIGIE. And that's indicated already by the fact that BWI has increased from 18 percent to 27 percent, while National has declined from 70 percent to 59 percent.

Senator MATHIAS. Does that raise any question in your mind about the desirability of cooperative management of the three airports?

Mr. CRAIGIE. I would certainly think that your thesis of cooperation is very valuable and important, and as we said again, we did not review the figures of BWI as a part of all three entities being together, because it was not desired by the Maryland delegation represented on the Commission to do so.

Senator MATHIAS. All right. Are you aware that the Governor of Maryland has more recently expressed his interest in some cooperative arrangement?

Mr. CRAIGIE. I was at the hearing on the 26th, and didn't understand it quite that way. But I would certainly think that at some future point if Maryland wanted to become a part of this entity, then it might be desirable for them to have the authority to do so.

Senator MATHIAS. Mr. Krueger, does the question of projected growth affect value?

Mr. **Krueger**. Yes, sir; I believe it can. I don't know how you would go about evaluating that increased value at this point, but it would obviously have some impact, yes, sir.

Senator **Mathias**. We could, I think, continue this discussion all morning, but we have a schedule we want to keep, and I see that Senator Warner has entered the room. So what I would like to do, if we may, is to review your testimony to date, and I'm sure that some further questions will occur for each of you; and address those further questions to you in writing, and include your answers as a part of the record, if we may.

Mr. **Craigie**. We'd be glad to do that, Mr. Chairman, and appreciate the opportunity of appearing before you.

Mr. **Krueger**. Thank you, Mr. Chairman, we'll be glad to prepare anything you like.

[The joint prepared statement of Messrs. Dyer and Craigie follows:]

Statement of Gregory P. Dyer, Vice President, Salomon Brothers, Inc., and Walter W. Craigie, Jr., Executive Vice President, Wheat, First Securities, Inc.

Mr. Chairman and Members of the Sub-Committee: Salomon Brothers Inc. and Wheat, First Securities, Inc. are pleased to have this opportunity to present the detailed analysis and results concerning certain financial aspects of the Transfer of Dulles and National Airports. This analysis was prepared at the request of the Advisory Commission on the Reorganization of the Metropolitan Washington Airports chaired by the Honorable A. Linwood Holton, Jr. We wish to submit for the record the following three reports:

Report to Advisory Commission on the Reorganization of the Metropolitan Washington Airports—November 29, 1984.

June 25, 1985 Supplement to the November 29, 1984 Report.

July 9, 1985 Addendum to the June 25, 1985 Supplement.

The November 29, 1984 Report analyzing 18 different financing scenarios concerning the transfer of the airports to a separate governmental entity and provides complete detail concerning the methodology of our analysis and the assumptions made in arriving at the results.

The June 25, 1985 Supplemental Report narrows the cases analyzed to 6, revises the cost estimates for the proposed improvements to the airports and also assesses the financial impact of using taxable debt to finance such improvements should the current Treasury Proposal for revisions to the tax legislation regarding the issuance of tax-exempt bonds for airport facilities be enacted.

The July 9, 1985 Addendum synthesizes many of the assumptions contained in the two previous reports and summarizes the results and impacts on total costs per enplaned passenger concerning: different purchase prices for the airports; combined versus separate operation of the airports; potential higher growth at Dulles; and, the Federal Tax Expenditure relating to the issuance of tax-exempt bonds.

For the balance of our statement we wish to draw your attention to the summary tables on Pages 2 and 4 of the July 9, 1985 Addendum which we believe summarizes the impact on total airport costs of the Cases analyzed. We will then review the summary tables on Pages 6 and 7 regarding our analysis of the federal tax expenditures on the issuance of tax-exempt bonds.

We will be pleased to review the material in any of these three reports concerning our assumptions and analytical methodology and will attempt to answer any questions which you may have.

Thank you for the opportunity of allowing Salomon Brothers Inc. and Wheat, First Securities, Inc. to provide information in our analyses concerning the proposed legislation.

Senator **Mathias**. Thank you. Our next panel includes Governor Holton, who has served as chairman of the Advisory Commission; Mr. Wilding, the director of the Washington Metropolitan Airports; and they[illegible]ll be accompanied by Senator Warner. The committee is glad to welcome the distinguished Senator from Virginia.

Senator **Warner**. Thank you, Mr. Chairman. Out of courtesy to my former Governor and political mentor, I would be happy to yield the floor to him and follow thereafter, if that is agreed to by the Chair.

Senator **Mathias**. Well, the distinguished former Governor of Virginia, Mr. Holton, needs no introduction in any company in which he is found. He is welcome at any time and any place. The committee will be happy to hear from him.

TESTIMONY OF GOV. LINWOOD HOLTON, JR., CHAIRMAN, ADVISORY COMMISSION ON THE REORGANIZATION OF THE METROPOLITAN WASHINGTON AIRPORTS, ACCOMPANIED BY SHIRLEY YBARRA, SPECIAL ASSISTANT FOR POLICY TO THE SECRETARY OF TRANSPORTATION; AND JAMES A. WILDING, DIRECTOR, METROPOLITAN WASHINGTON AIRPORTS

Governor **Holton**. Mr. Chairman, I'd be happy if you all would keep on going if you want to. You're off to a good start.

I'm happy to be here, however, and I really would like to pickup the point you opened the hearing with this morning, and give you my personal assurance based now on just a little bit over 12 months of fairly intensive study, that what we're doing by the proposal that we have brought to the Congress is to serve the overall public interest. This is a facility, as you pointed out, that serves not only a very major region of the United States where you and I live, but it serves citizens from all over the country who come to their capital and it serves people from all over the world who come to the capital of the free world.

And it's important that air service be given to those people to the maximum quality possible. I would like also to point out introductorily that in addition to being accompanied by Senator Warner, I'm also accompanied by Mr. Jim Wilding, who is the director of the Metropolitan Washington Airports, which includes National and Dulles. He has been for some time, and he is very well informed on financial matters particularly as well as on overall operational matters of the airports. And by Mrs. Shirley Ybarra, who is a special assistant to Secretary Dole for policy; and Greg Wolfe, who is from the general counsel's office at the Department of Transportation.

I believe among us we'll be able to answer any questions you may have about this proposal.

But Senator, the proposal is based on a concept that really exists: That there is no sale. We're not selling airports. This is a public utility concept, and the proposal is to transfer the management of the airports to a regional authority, comparable to other airports, including BWI, throughout the country.

The obligation is transferred to the airport authority to operate two airports. That is an obligation created in the statute. There is also the right given to that authority to use the land at the two airports, that currently is being used for airports on a continuing basis for the operation of airports.

By nature of the authority which would be a political subdivision of the two entities, the District of Columbia and the Commonwealth of Virginia, that authority would inherently have the capability to fund improvements needed at the airports without any additional Federal appropriations. And the transfer of this responsibility would, because of the nature of the managing body, give continuity to management and planning that service on staggered terms by civic-minded citizens would have.

I point out, Senator, on the issue of fairness, that more than two-thirds of the people who now use these three airports are forced today to use obsolete and inadequate facilities. And that this transfer of management responsibilities would enable those two airports to be brought up to the level of the quality that exists today at BWI.

The cost to the U.S. Government would be zero. That is the intent of the legislation. The computation of the imputed interest and the debt, the hypothetical debt, the computation of those two items, Senator, will standup. I'm happy to have that examined by any group of economists or accounting people.

The Federal Government would have a zero cost for the creation and operation of these airports since 1940, with the imputed interest, as you have pointed out. The Federal Government also would receive a cash payment of $37 million that would cover the cost of funding pensions for all of the Federal employees who would work at the airport as of the time of the transfer. I believe, sir, that the CBO substantially concurs with this, and that that was the testimony that was heard here earlier.

I would like also to add, Senator, that I very strongly recommend this approach. I repeat that for a year I have been looking into it, and studying it, and discussing it with local government officials, with Federal Government officials, with Members of the Congress, with members of the local governing bodies; with Governors, with mayors. We really have considered all of these alternatives that you're now having an opportunity to consider. The one that has the most appeal, I'm sure, to you, sir, of bringing the three airports together to operate on a cooperative basis has in my judgment considerable merit.

I do not question the motives of those who propose it at this time, again, after it could not be considered and was not considered by my commission during the 6 months that we spent on this because responsible representatives from Maryland, including the Governor, indicated I think in so many words—but if not in so many words, they gave a very clear indication that Baltimore was not available for inclusion in a three-way plan.

And I do not personally—and I repeat that I question no motives—but I do not personally believe that that is a feasible alternative today because in a very justified way, citizens of the Baltimore area are not going to give up 'their' airport to be included with these other two.

I think because it's important to give the kind of service that the Baltimore-Washington International users are getting, also to the users of Dulles and National, that it is also important that this legislation be passed as expeditiously as possible.

Any of us will answer any questions you have, sir.

Senator **Mathias**. Thank you very much, Governor.

TESTIMONY OF THE HON. JOHN W. WARNER, U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator **Warner**. Thank you, Mr. Chairman. I will be very brief, because I think the greatest value to the chair and others would be to respond to questions, and the basic issues have been presented at the previous hearing.

We're grateful for this opportunity to come before you, Mr. Chairman, because I've been privileged to work with you now over 6 years, and I know you'll be fair and openminded. And I think it's important that your perspective be brought to bear on this issue.

First, I would, following the directions of counsel to the committee, address that point which counsel suggested that I make; and then my distinguished colleague, Mr. Trible, I believe, will make the other point as suggested by your counsel.

First, local voice. The people of the greater metropolitan area simply are crying out for the opportunities that they are justifiably entitled to, to have a direct voice in the management of these airports. These airports, for better or for worse, impact on their daily life style and their safety.

Now, under the proposal, the District of Columbia as well as Virginia would be represented on the board. The President would appoint a member to be confirmed by the Senate to ensure congressional oversight. The Governor of Maryland would appoint two board members.

The proposed authority board may not, I repeat, not cancel or add to the number of air carrier flights at National Airport as a result of the proposed bill. The legislation proposes to freeze the number of slots per hour at the current level, which is 37. Thus, any changes in flights would result from market and safety considerations only, which is the same as under the present administration by the Federal Aviation Administration.

Further, the lease transfer legislation does not impact on the high density rule of the FAA. The Chair recognizes there are several airports, National, LaGuardia, O'Hare, and Kennedy, which have control of landing and takeoff policy, and that would continue.

Further, and most importantly, these transfer proposals would not raise the noise-decibel cap currently in effect at National. The chairman may recall that the noise-decibel cap provision represents one of the most significant compromises in the legislation as introduced.

History is that in 1979, the FAA proposed a rule which would curfew all operations at Washington National from 10 p.m. until 7 a.m. I and others supported that provision. Over our objections, the Senate disallowed the rule, and in 1980, the Department of Transportation proposed another way which effectively controlled carrier service at National between 10 p.m. and 7 a.m. However, as is so often the case, technology overtook the rule, and in 1983, new commercial aircraft, by design, met the specification, and to some limited extent, are now able to land and takeoff in those time periods.

Mr. Chairman, in conclusion, it is my fervent plea that this committee, having exercised its jurisdiction and provided what I presume to be a very important perspective, enable this bill to get to the floor so the entire Senate can consider it. In my humble judgment, if the bill is adopted by the Congress, it will result in conditions at both airports being improved such that each and every Member of Congress—and indeed we recognize that they rely on these airports—each and every member of Congress I think will benefit by the proposed legislation.

Thank you.

Senator **Mathias**. Thank you, Senator Warner.

[Senator Warner's prepared statement follows:]

Prepared Statement of Senator John W. Warner

Thank you, Mr. Chairman.

It has been my privilege to work on the issues concerning Washington National and Washington Dulles Airports since 1979.

I have worked with four Secretaries of Transportation on the Washington Airports Policy—from Brock Adams to Neil Goldschmidt to Drew Lewis to Elizabeth Dole, and indeed with you Mr. Chairman.

We have endeavored to establish a balanced airports policy, under which these two unique federally-owned commercial airports have been operating since 1981.

Last year, Secretary Dole initiated the formation of the Advisory Commission on the Reorganization of the Metropolitan Washington Airports, chaired by Governor Linwood Holton.

I was pleased to be a member of the Commission.

The legislation under discussion this morning is the result of the report of the Holton Commission.

There are several points regarding this legislation which deserve emphasis.

First, improvements for these airports would be more quickly forthcoming due to the bonding authority to be granted the new regional authority.

Other airports around the nation are able to sell bonds for capital improvements, but improvements—from parking lots to terminal expansions to runway extensions—at National and Dulles airports have been contingent solely on the authorizations and appropriations of the Congress, competing for scarce federal funds.

To remain competitive, Dulles must now have a midfield terminal; National needs improved parking facilities—and yet, the ability other major commercial airports have to make improvements by private investment through tax exempt bonds, is not available to these two airports, located in Virginia.

Second, this is a cost-effective proposal.

The two airports are not being given away to a newly-created regional authority; we are recommending a lease-transfer arrangement.

The new authority will pay the full actuarial costs of the federal pension system to cover all federal workers currently employed at both airports.

This will amount to a payment of between $33 and $37 million in the first year of the lease, with a result of some reduction, therefore, on the deficit.

Revenues from these airports would not accrue to any other governments' coffers, but would go directly into airport operations.

Third, the new regional authority would guarantee that no one political jurisdiction would govern or have a clear majority to dictate operations of these airports.

The District of Columbia as well as Virginia would be represented on the Board of the new Authority; the President would appoint a member, to be confirmed by the Senate, to assure continued Congressional oversight; and the Governor of Maryland would appoint two board members.

The proposed Regional Authority's Board may not cancel or add to the number of air carrier flights at National Airport as a result of this legislation.

The legislation proposes to freeze the number of slots per hour at the current level, which is 37, and thus any changes in flights would result from market and safety considerations only, which is the same as under present administration.

The lease-transfer legislation does not impact on the high-density rules of the FAA, which are applicable to airports across the nation; the lease-transfer proposal would not raise the noise/decibel cap currently in effect at National.

It is the noise/decibel cap provision which presents one of the most significant compromises in the legislation as introduced.

In 1979, the FAA proposed a rule which would curfew all operations at Washington National Airport from 10:00 pm to 7:00 am.

However, over my strong objections, the Senate disallowed the proposed rule, and in 1980, the DOT proposed an other way in which to effectively prohibit air carrier service at National between 10:00 pm and 7:00 am.

That 1980 rule became part of the Washington Airports policy of 1981, and placed a decibel cap on National Airport, based on sleep patterns of the public.

However, as so often is the case, technology overtook the rule, and in 1983, new commercial aircraft were able to land within the decibel levels.

The 1980 rule of the decibel level at National is the lowest in the nation, so I am informed by the FAA.

To insure that at a minimum, National Airports noise levels are not increased above the current restriction, the proposed legislation freezes, in the statute, the restrictive decibel cap.

Indeed, I will insure that the current noise level is not increased.

Finally, it is inappropriate, as a traditional federal government function, for a federal agency to manage, on a daily basis, public commercial airports.

The time and expense of managing these airports are additionally unjustified in view of other more pressing national priorities in the aviation and transportation fields.

My colleagues and I who are sponsoring this legislation believe that the improvements which will result at these two airports will not only serve the best interests of the Congress and the Federal government, but also the citizens, businesspeople, and tourists who fly to our nation's capitol.

The legislation including safeguards for the federal employees currently working at both airports; and it provides for the same environmental protections as apply to all other air carrier airports in the nation, while maintaining some additional environmental considerations for over a quarter million local residents.

Senator **Mathias**. Senator Trible.

TESTIMONY OF HON. PAUL S. TRIBLE, JR., U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator **Trible**. Senator Mathias, Mr. Chairman, I appreciate the opportunity to join my colleague from Virginia and the other panel members to speak in behalf of this legislation.

Your letter of June 10 propounded a number of questions to Senator Warner and myself. It was our intention to expedite the proceeding by dividing those questions between ourselves, and Senator Warner, agreed to take three of those questions, and left two to me. And let me respond very briefly to those, and I'm sure that he will flesh out his responses to the other three in his prepared remarks that will be made a part of the record.

The first of those two remaining questions was a request that our testimony speak to the degree to which a level playing field is assured at the three commercial airports. Mr. Chairman, a level playing field is the goal that we seek in this legislation, and I believe it is a goal that is achieved. National and Dulles have been held back, not advanced, by Federal ownership, and the reasons are obvious.

Our Founding Fathers intended that Congress be a deliberative body, and it is. The Congress, through the 1978 Deregulation Act, intended that the airlines be aggressively competitive, and they are. And therein lies the problem. Congress cannot manage a modern jetport, because Congress cannot quickly respond to the demands of today's aviation marketplace. Let me give you an example.

In 1983, Piedmont announced it would create a new hub in this region. Dulles and BWI were the only two candidates. The Government of Maryland moved quickly and decisively; in a matter of weeks, $20 million was on the table committed to expand and improve the BWI terminal facilities.

I daresay that a similar request for funding from the Congress would still be languishing before our committee. The advantages of State funding and promotion, and access to Federal airport improvements grants, which National and Dulles cannot receive, has given BWI a tremendous advantage over Dulles.

The growth of the airports during the past 5 years demonstrates this fact. Traffic at National has grown by 3 percent, Dulles by 40 percent, and BWI I think by 77 percent. Today, BWI is twice as big as Dulles.

It's clear Mr. Chairman that BWI, which serves almost 7 million passengers a year, needs no protection from Dulles. The State of Maryland is to be applauded for this remarkable growth. But it would be wrong indeed if BWI's future growth is because Dulles remains shackled to the Federal Government.

Now, opponents of this proposal counter the suggestion that we have wrought a level playing field in two ways. They say first that Maryland has spent more than $100 million in State revenues improving BWI; Dulles on the other hand will not have to look to the State of Virginia. The second argument is that since National Airport revenues can cross-subsidize Dulles under this scheme, that landing fees at Dulles can remain lower than BWI.

Let me try to address those two concerns. First, according to the Congressional Research Service, Maryland has spent $184 million at BWI since 1972. Now let me break that down. Thirty-six million dollars to purchase BWI; $33 million through Federal AIP grants; and $116 million in State bonds drawn against the Maryland Consolidated Transportation Trust Fund. But are the Maryland taxpayers, those who will ultimately be stuck with the bill? I think not.

Rather, it's the users at BWI who will ultimately pay the cost. Airport revenues are now beginning to flow into the Maryland Trust Fund, repaying the State's investment. It's in much the same way, Mr. Chairman, that under our proposal, the users at Dulles and National pay the cost of these airports.

Let me respond to the issue of landing fees very quickly. It's true the landing fees at higher BWI are substantially higher than at Washington Dulles. However, according to the Air Transport Association, landing fees account for only 2 percent of carrier costs. The minuscule difference between ticket costs at Washington Dulles and BWI that's attributable to landing fees certainly can have no significant bearing on passenger levels at either airport.

Moreover, Mr. Chairman, a study of passenger attitudes by the Council of Governments recently found that only 6 percent of those people using BWI would prefer to use Dulles. And only 5 percent of those using Dulles would prefer BWI. Very obviously, that tells us the airports are not competing for a single pool of passengers. Each serves a discrete geographic area and population center.

Finally, and most significantly, the airports are not involved in a zero sum game. And it seems to me this is all important. In 5 years, BWI has grown by 77 percent, and Washington Dulles by 40 percent. With the statutory slot limitation at National Airport included in this measurement, they will both continue to grow. All the demographic studies that I have seen certainly suggest that all three airports will be fully challenged to accommodate the additional traffic generated by our fast-growing communities.

Finally, Mr. Chairman, the committee asked for our views on the impact of this legislation on the level of service. Well, let me quote Senator Hollings, the distinguished Senator from South Carolina, who is a principal opponent of this measure. In the words of Senator Hollings, "National Airport is falling apart. The road system and parking are inadequate; access to the Metrorail system is difficult; terminals are cramped. At Dulles, a proposed midfield terminal is needed to accommodate increased airline service. Because of the importance of these airports in ensuring access to our Nation's capital, we must move to repair and develop these assets."

I agree, and that's an all-important reason to support this legislation. Funds from the Federal Government are simply not available. A local authority, through revenue bonds, can raise the necessary $¼ billion, and we can get on with the task of enhancing these airports to serve our Nation's capital.

Now I recognize that there are important interests at stake here for our States, as well as for the citizens of this country. But I believe this is a reasonable and balanced piece of legislation which will achieve a result that we all will applaud.

And that result Mr. Chairman, is three successful, first-class air transportation facilities for those who travel to and from our Nation's capital. Thank you.

Senator MATHIAS. Thank you very much, Senator Trible.

Mr. Wilding.

Mr. WILDING. Senator, I really don't have a separate statement. I look forward to responding to your questions when we get to that point.

Senator MATHIAS. Well, I'm gratified by the praise that's been heaped on the airport authority of Maryland. I bask in that reflected glory. [Laughter.]

And the fact that traffic at BWI has increased by 77 percent. Of course, everything is relative in this life, and if you start with a very lower figure and double it, it's gratifying, but it isn't a sign of unlimited success. BWI had been held back for many years, and the growth does reflect the extraordinary efforts that have been put into it. It also reflects the general growth, which has been described by the last panel, in air traffic; and the fact that National has reached very close to its ceiling.

So we're glad we're growing, but we have to somewhat dilute our celebration by the fact that we did start out with a very low base, from which to grow.

Also, I would point out that although conditions need to be improved at both National and Dulles, that they haven't been exactly undernourished over the years. I believe you hadn't come into the room yet, Senator Trible, when Mr. Krueger testified for the GAO that the Federal Government has invested $712 million in National and Dulles over the period of their existence.

So what we really need to look at here, I think, is where we're going in the future, and how we can provide the best service possible for everyone in the Chesapeake-Potomac metropolitan area.

We might turn first to the question of the political competition in the regional authority. Governor Holton, the Grace Commission looked at the way you might constitute the Commission, and proposed that there should be two members from Virginia, two members from the District of Columbia, and two members from Maryland. Then they suggested one each from the Senate and House of Representatives; one representing general aviation; one representing the carriers, and one representing the military. Did your commission look at that proposal?

Governor HOLTON. Yes, sir. We looked at that proposal, and we looked at other proposals for composition of the Board of Directors. We deliberated over it more than any other single issue that we considered. It was the issue the caused us at one hearing to reach an impasse such that the Chairman of the Commission simply recessed the meeting rather than hold it, because I felt that if we had held the meeting, that would have been the end of the deliberations.

Senator MATHIAS. You needed a cooling-off period.

Governor HOLTON. We needed a cooling-off period, Senator, and fortunately wiser heads prevailed. The principals did consider, and we did get together on one that has the beauty. And there are lots of proposals that could be considered, and the Congress of the United States could consider this from now until 1996. And still not decide, Senator.

But what we've done is come up with a proposal that has basic acceptability to almost everybody. It's not perfect, and Arlington County, I'm sure, would change it a little, and Fairfax County would. Virginia would like to have a majority. Virginians are kind of always that way. But Maryland would like to have more, the District of Columbia would like to have at least equal to what the others on the Commission add up to. All of these are possibilities and all of these have been considered by the Commission.

The people who operate the airlines agreed to it; the local governments agreed to it; the District of Columbia, the State of Virginia—I say agreed to it—they accepted it. And here we have a bill that in my judgment is a politically feasible way of being legislated. And that's one of the reasons why I so strongly commend this one to the Congress, because I believe it can be passed.

Senator MATHIAS. Senator Warner, do you have any comment on the composition of the Commission?

Senator WARNER. Well, Mr. Chairman, I was actually the one that introduced the proposal to the Commission, and it was adopted. And I share the views of our distinguished chairman—by the way, he's done a marvelous job. I think in a very fair and objective manner, he has tried to rationalize the differences, and arrive at these consentient views reflected in the bill.

I was present at the time we had to adjourn the meeting, as a member of this Commission. We did our best, and it may be perfected by wiser minds; but it represents the best judgment of this distinguished group who served unselfishly on this Commission.

Senator MATHIAS. One of the features that I would certainly support is the fact that you bar the service of elected officials. [Laughter.]

No. 1, I doubt if they have the time, and No. 2, if they had the time, they certainly wouldn't bring unbiased judgment to the deliberations.

Governor HOLTON. And they'd have a lot of pretty specific ad hoc pressures, Senator, that we felt ought not to be on this Board of Directors.

Senator MATHIAS. How far to you carry that? Would you carry it to former elected officials?

Governor HOLTON. Senator, some of us who've formerly served in public office are looking around for responsible things to do. [Laughter.]

But I'm in a happy situation at the moment, I'm not looking for work. When you get out of public office, it's a real letdown. It's like having a bright light shining in your eyes all those years, and all of a sudden they turn it off. You have to feel your way along for a time.

Senator MATHIAS. Well, I personally don't feel that you need to go to the extent of barring previous service, and whether there is any twilight period that you need to consider——

Governor HOLTON. I thank the Senator.

Senator MATHIAS. What about limitations on the number of terms a member of the Commission could serve?

Governor HOLTON. We did limit them to two terms, I believe, didn't we? No, we did not. We considered that, we talked about 4-year terms, and limit them to twice. We ended up with a 6-year term, and not limited. But they are to be staggered, so that there would be continuity of management.

Senator MATHIAS. To whom is the Commission responsible?

Governor HOLTON. To the people that it serves, and to the appointing authorities. This is a device that I presume you folks in Maryland have used as we in Virginia have. We run all of our colleges with a commission that's appointed like this by the Governor, and approved by the legislature.

Senator MATHIAS. That's very clearly responsible to the Governor. In your tenure as Governor of Virginia, if you had a problem on the campus, you knew who to call.

Governor HOLTON. Well, I called on the president of the institution who was appointed by the Board of Directors. But my influence on him was indirect, it was not because of the appointing authority. They're pretty independent boards, and the independence of this Board is one of the merits, not one of the demerits, of this proposal.

Senator MATHIAS. Where is the accountability? The members are appointed by three separate political institutions, Maryland, Virginia, and the District. Where is the accountability? I assume that once they are appointed and operating, they will perform magnificently, and they'll never be subject to criticism. But just let's suppose, the hypothetical case that you want to call them on the carpet someday for some small indiscretion. Who is going to do the calling?

Governor HOLTON. For the first 35 years, it's subject to review by the Congress of the United States.

Senator MATHIAS. So maybe it's this committee.

Governor HOLTON. Maybe.

Senator MATHIAS. That calls them in.

Governor HOLTON. It also is subject to review by those appointing officers, the two Governors and the Mayor, and the President of the United States. There's no provision for removing them, but there is provision for replacing them at the end of their term. And again, the terms would be staggered, so that if the appointing officials wanted to make a change in the policy, that could be done that way.

I do not consider the independence of the Board of Directors a weakness—I repeat, I consider that a strength.

Senator **MATHIAS**. But they are very independent.

Governor **HOLTON**. They are very independent, yes, sir. And I think that without comparing specific airport authorities, that those that have been the most successful you'll find are the ones who are independent. If you caught one in a major, flagrant violation of the laws or something, I think the public pressures would ultimately take care of it. But fortunately, the performance of these authorities throughout the country has been such as to provide the kind of air service that we have in mind here, without major scandal. And I don't anticipate that we would have major scandal here.

Senator **MATHIAS**. Let me turn to Mr. Wilding for just a moment.

Governor **HOLTON**. Senator, I'm reminded that the legislation provides that the appointing authority can remove a member of the Board of Directors for malfeasance, so that there is some control.

Senator **MATHIAS**. But that would be the Governor of Virginia only having authority over the Virginia representatives, correct?

Governor **HOLTON**. Yes, sir, of necessity.

Senator **MATHIAS**. And the Governor of Maryland over the Maryland representatives, and presumably the Mayor of Washington over the District representatives.

Governor **HOLTON**. Yes, sir.

Senator **MATHIAS**. If the Governor of Virginia didn't act, the Governor of Maryland can't—and vice versa.

Governor **HOLTON**. With respect to his own appointees, yes, sir.

Senator **MATHIAS**. Even though he felt that—let us say that in the eyes of the Governor of Virginia, the Marylander was guilty of malfeasance. There's no method to revoke.

Governor **HOLTON**. Senator, you've been in public office for a long time, and you know that the public pressures on that public official in that sort of situation are very strong. And I again repeat that this is a strength, not a weakness, and that we don't have to anticipate major scandals here. If they occur, we can handle them. But that's not going to be the general practice.

Senator **MATHIAS**. Well, I certainly hope it would not.

Mr. Wilding, there have been three concerns expressed in Maryland, that the disposition of the two airports at a low figure—what I characterize as the weak Solomon estimate of what the traffic will bear figure—would adversely affect BWI in a number of ways.

First, that it would allow the new authority to embark on an expansion program unconstrained by the capital, by the true capital costs, the cost of the real estate.

Second, that the new authority would be free to keep landing and rental fees far below the industry norm, because of the relatively low transfer cost.

Third, that the authority can attract industry by subsidizing leases at Dulles, and thereby potentially direct businesses there to the detriment of other locations.

I'm wondering if you'd comment on those three concerns.

Mr. WILDING. I'd be very pleased to, Senator.

This transfer proposal would use our existing debt structure, which is what we consider our appropriations as we get them from the Treasury. What the transfer proposal would do is take this existing debt structure, and simply give it to the authority to continue to service just as we're doing today.

Now to the extent that someone has a quarrel with the way we're doing it today, and therefore believes that our fees and charges are too low, then perhaps that same quarrel could be made with the transfer proposal. But we haven't really experienced that type of criticism in the past.

So, the authority would start out in the posture we're in today. But clearly it would also start out with the goal of making at a minimum, $240 million worth of improvements, and assuming that kind of debt. And as the earlier testimony indicated, our rates and charges are quite modest today, because of the absence of past capital investment—and I like to think because of some pretty fair management on our part. But those rates and charges are going to go up substantially, quite substantially, as the users of the airport are expected to pay for that new investment.

With respect to the Maryland concern, about the possibility of using some of the extensive land at Dulles for a mega-tonnage commercial and industrial development program, I would not expect that the authority would do that. We have not done that in the past. The land af Dulles, which is today not used, is there for a very, very specific purpose. Primarily that purpose is to accommodate new air carrier runways in the future, which all of our projections——

Senator MATHIAS. How much land is that?

Mr. WILDING. That particular piece of land is 1,650 acres. When we built Dulles, we actually acquired sufficient land to build four air carrier runways; three of them were initially built. The fourth is yet to be built, but we are approaching the point in time, in our view, where it needs to be built. We have 1,650 acres sitting there today not doing anything but growing trees, but that's what it's for. That's what it has been saved for all these years, and our new master plan at Dulles shows that that's what it should be used for.

As a matter of fact, we even have plans, and hope that that authority would continue those plans, to acquire some additional land at Dulles to accommodate yet a fifth air carrier runway.

So, Dulles' future ability to meet our aviation needs is what's tied up in this so-called unused land at Dulles. There is also another element of land which has been called into question, which is part of our noise buffer at Dulles. That noise buffer is really subject to some very intense levels of aircraft noise, the kind of noise that really precludes this kind of commercial development.

So, I understand that concern, but I really think it's misplaced with respect to this land.

Senator MATHIAS. You're saying then that there is no land within the Dulles complex which is available for real estate exploitation.

Mr. WILDING. Not anything I would call exploitation. There certainly are commercial development areas within the core of the airport, separate and distinct from this land we were just talking about, that we have developed commercially. And we would intend to develop more of that commercially—hotels, gas stations, office buildings, that sort of thing—all of which have a relevance to the airport.

Senator MATHIAS. And how much land is in that category?

Mr. WILDING. There are several hundred acres that we have developed, which I might point out is part of a very active concessions program that provides slightly more than half of our overall revenues; this is not untypical of the airport picture around the country.

Senator MATHIAS. But only several hundred acres.

Mr. WILDING. That's correct. This latter category that I just mentioned is identified on our master plan as commercial development areas. And again, if you're familiar with Dulles, this is where the hotel and the office buildings and that sort of facilities sit.

Senator MATHIAS. So you're telling us that there are 1,600 acres that are necessary for future air operations.

Mr. WILDING. Sixteen-fifty.

Senator MATHIAS. Sixteen-fifty.

Mr. WILDING. Associated with our fourth air carrier runway, our future air carrier runway.

Senator MATHIAS. Now you're saying that there then is the further sound barrier area, and how large is that?

Mr. WILDING. Yes, sir. The three existing runways plus the fourth one yet to come, essentially determine the boundaries of the airport. We own 2,000 feet laterally from each of those runways, and 8,000 feet off the end of each of those runways, and this in turn describes the airport boundaries. So if you then took that ring of trees which we have all the way around the airport, there are slightly in excess of 2,000 acres in that greenbelt around the airport.

Senator MATHIAS. There would be no expectation of using that for commercial purposes.

Mr. WILDING. Not for any of the sorts of intense commercial development we're talking about here, and not for anything I would even call a commercial purpose. There are two development proposals that have come forth, and may be illustrative of the sorts of things that could go in there. One is the Air and Space Museum, which desires to expand out to Dulles; and as a matter of fact, has some authorizing legislation pending before the Congress right now to do so. This would involve roughly 100 acres, if that came to pass.

Senator MATHIAS. That would be in the Rules Committee at the moment.

Mr. WILDING. The other proposal is a possible commuter parking lot for Fairfax and Loudoun Counties, again tucked back into that greenbelt so that they can get into some mass transit vehicles and get on the Dulles Toll Rd. Neither of these development proposals have revenue implications to the airport, but I think are important on their own merits.

Senator **Mathias**. It is of some value to the airport, however.

Mr. **Wilding**. It is of enormous value to the airport to have that buffer, on which we can contain noise levels, which in noise terms get up into the 70–75 ldn range. That's really "moving furniture around" noise, as we project it off into the future. We want to keep that noise on the airport, and out of the adjacent communities.

Senator **Mathias**. Now let's look at what you might do at Dulles. As I understand it, the midfield terminal would multiply the existing available terminal space by about 2½ times. Is that right?

Mr. **Wilding**. No, sir, that's not quite right. The initial midfield terminal that we've been talking about recently, roughly a 24-gate terminal, would not quite double the existing terminal space at Dulles. It would add about 80 percent or so to the terminal space that we have right now.

Senator **Mathias**. You say the initial midfield terminal. What about the ultimate midfield terminal?

Mr. **Wilding**. Well, the Dulles terminal facility, the way it's laid out right now, ultimately could get up to about 100 gates. Under the existing master plan—or the old master plan, if you'll allow me to use that term—90 of these 100 gates would be mobile lounge gates, served by mobile lounges; 10 would be up against the terminals themselves. What our new master plan, which includes the midfield terminal, has done is set up a scenario where we can either develop mobile lounge gates in the future, or develop the so-called midfield terminal gates. It brings you back to the same sort of number, about 100 gates, but it could be any mix of midfield terminal gates and mobile lounge gates. The greater likelihood, as we see it, is that it would be mostly midfield terminal type gates.

So, there's nothing new in there, just the nature of the expansion which is being planned, rather than the extent of the expansion.

Senator **Mathias**. On what basis do you feel the need for this new facility?

Mr. **Wilding**. Partly our experience right now, where the existing terminal facilities at Dulles are getting quite crowded. And as we survey the world around us, particularly airline desires in the current airline world, there clearly is a clear desire on the part of the airlines to go to a more traditional type of terminal facility at Dulles, and away from the mobile lounge system. So it's both the size of the facility and the nature of the facility that are tied up in our midfield terminal planning.

Senator **Mathias**. What weight did you give the Washington Metropolitan Board of Trade survey?

Mr. **Wilding**. The COG survey?

Senator **Mathias**. The Board of Trade survey.[1]

Mr. **Wilding**. I'm not familiar with it.

Senator **Mathias**. They concluded this. That among users of all airports, 37 percent think another terminal is very or moderately important, while a majority, 53 percent, think it is only somewhat or not at all important.

Mr. **Wilding**. That's the terminal at Dulles?

Senator **Mathias**. Yes.

Mr. **Wilding**. On Dulles. That would be the current users?

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[1] See p. 381.

Senator **Mathias**. Of all airports, of the three airports that we're talking about.

Mr. **Wilding**. OK.

Senator **Mathias**. Even among those using Dulles most often think that the division of opinion is so close with a bare plurality of 49 percent thinking positively about another terminal; 48 percent not so affirmative.

Mr. **Wilding**. Senator, we think of it as very much a part of our job, given that it takes 4 or 5 years to get these kinds of facilities online, to be looking down the road some distance. If we went out this afternoon and interviewed some of the passengers at Dulles, I think they would probably recognize that things are a lot tighter there now than they were 2 or 3 years ago. But they would probably not be able to project, frankly, as well as we what that situation would look like 4 or 5 years from now if we don't do something very aggressively now.

So it's very much a part of our planning function, I think, to avoid that kind of capacity crunch at Dulles which I think will come unless these terminal facilities are put online, and put online just as quickly as we can.

Senator **Mathias**. This committee is very sympathetic to your comment that what we have to do is look down the road a little. That's exactly what we're trying to do today, look down the road, and see exactly where we're going to be in the year 1990 and in the year 2000.

And we appreciate the help of all the members of this panel for contributing in that effort. Maybe that's the point at which we should close this panel. We will have, I'm sure, questions which will occur as we reflect on this colloquy, and with your help and cooperation, we will include your responses to those questions as part of the record.

Governor **Holton**. Senator, we'd be very happy to answer any additional questions, and I'd like to point out that I omitted to make any official reference to the fact that I do have a comprehensive statement that I'd like to have made a part of this record.

Senator **Mathias**. The statement of Governor Holton and of any other members of the committee or the panel will be included as part of the record.

Governor **Holton**. Thank you, sir.

Senator **Mathias**. Does the Department of Transportation have a statement to include also?

Ms. **Ybarra**. We included that as Governor Holton's statement.

[Governor Holton's prepared statement follows:]

STATEMENT OF A. LINWOOD HOLTON, JR.
for the
DEPARTMENT OF TRANSPORTATION
before the
SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY
and
THE DISTRICT OF COLUMBIA,
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
CONCERNING
PROPOSED TRANSFER
OF THE METROPOLITAN WASHINGTON AIRPORTS
TO AN INDEPENDENT AIRPORT AUTHORITY
July 10, 1985

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you today, on behalf of Secretary of Transportation Elizabeth Hanford Dole, to discuss the proposed Metropolitan Washington Airports Transfer Act of 1985, S. 1017. With me today are Jim Wilding, the Director of the Metropolitan Washington Airports, Shirley Ybarra, Special Assistant to Secretary Dole for Policy, and Gregory Wolfe, an attorney from the General Counsel's Office of the Department of Transportation.

You have asked us to address several particular points about the transfer legislation. This I hope to do briefly, so that we may answer any additional questions.

The transfer legislation has been referred to the Committee on Science, Commerce and Transportation, which held hearings on it June 26. Rather than repeat the testimony presented there, I would like to offer Secretary Dole's statement for inclusion in the record.

By way of summary, the bill contains a proposal, developed by an advisory commission made up of Members of Congress, state and local officials, and airport users, to transfer the Metropolitan Washington Airports to an independent agency created by the District of Columbia and the Commonwealth of Virginia. Transfer would initially be by a 35-year lease, to be followed by full transfer of title. The new authority would be limited to operating the two airports, and would be required to repay the remaining "hypothetical debt" the airports owe the Treasury, the amount not already reimbursed out of airport revenues. In addition, the authority would pay the unfunded liability of the federal pension system with respect to airport employees.

HYPOTHETICAL INDEBTEDNESS

You asked us to address first the indebtedness the new airports authority would pay the Treasury. Accountants at the Metropolitan Washington airports have kept records of appropriations made to the airports for all purposes -- operating expenses and capital improvements -- since National was built. The records include all elements of cost, beginning with the cost of the land National is built on. In simple terms, each year the accountants add operating and capital costs, subtract airport revenues and then apply a composite interest rate based on the prevailing Treasury rate at the time major expenditures are made. The interest is added to create the next year's beginning balance.

The result is a "hypothetical debt" account that roughly matches the bonded debt the Metropolitan Washington Airports would have if the FAA had financed improvements with revenue bonds instead of direct federal appropriations. It is used in the calculation of rates and charges to airport users, much the same way other airports include the costs of servicing their debt in their rate bases.

The anticipated balance at the end of this fiscal year -- $47 million -- is relatively low because there simply have not been any major improvements at Dulles or National since Dulles was completed in 1962. It is difficult to think of a single other major U.S. airport that has not undertaken major improvements in the last 23 years.

We propose that the new airports authority repay the "hypothetical debt" amount, whatever it may be, on the date of transfer. The reason for doing so is to make the Treasury whole for the investment it has made in the airports. It is not in any respect intended to be a sales price.

The heart of our proposal is to put National and Dulles on an equal footing with all other airports. We therefore are not asking for a substantial sales price, as others have urged us to do. A sales price would only be passed on to the airlines and other users in the form of increased fees and charges, which would be necessary to recover the sales price. The increase in user costs would not provide any benefits to the users or to the public.

Generally, airport fees and charges are increased when improvements are made. Carriers and other users are willing to pay the price of improvements through this means. But an airport's ability to raise fees is not unlimited. The increase in fees required by a substantial sales price would absorb most, if not all, of the authority's ability to finance necessary major improvements.

Transfer does not appear to us an appropriate occasion to squeeze the airlines and other airport users for additional federal revenues. They have nearly finished paying for the existing facilities once, and are about to be asked to pay for major improvements. Why should they pay twice?

While the government would not receive a sales price for the transfer, it would not suffer any loss either. The basic differences resulting from transfer would be that the airports would no longer be operated by federal employees, and improvements would be funded through the bond market. The government would be relieved of the obligation to finance improvements internally, but, as an airport user, would have all the benefits the airports presently provide. In addition, the authority would relieve the Treasury of the unfunded pension liability it would have to bear if the airport employees did not transfer.

THE FEDERAL INTEREST IN USE RESTRICTIONS AT NATIONAL

You also asked about the federal interest in retaining certain rules at National Airport, in particular, the perimeter rule, hourly slots, nighttime noise limits, the passenger cap and landing fees. I do not believe that there is any special "federal interest" in these rules, at least not a federal interest distinct from that of all airport users and neighbors.

Since our goal is to create an authority with the same powers and duties as other U.S. airports, S. 1017 simply transfers existing FAA airport rules without change from the Code of Federal Regulations to the new airports authority wherever they are proper airport proprietor matters. Thus the nighttime noise rules (under an amendment agreed to by the sponsors) and the perimeter rule would be transferred to the new authority.

The High Density Rule, a federal air traffic rule applicable at National, LaGuardia, JFK and O'Hare airports, will remain with the FAA. That rule sets the number of flights that may operate at National through the requirement of "IFR reservations" or "slots" for each air carrier aircraft operation. The one regulatory change provided for in the transfer legislation is the substitution of a statutory freeze on the number of slots for the so-called passenger cap, a measure that would have limited the number of passengers at National.

This slot freeze represents a compromise between competing interests that sought, on the one hand, an increase in the number of operations at National, and on the other a decrease. I believe it is in the public interest because it would resolve a longstanding dispute, often aired in the Congress, over the future of National Airport.

None of these measures was developed specifically to protect a federal interest. But I believe that they do protect the federal interest in airport operations, however you choose to define it.

A LEVEL PLAYING FIELD

You have quite aptly termed the issue of competition between airports -- the issue most important to the State of Maryland -- the "level playing field" question. Contrary to some of the charges leveled against us, a level playing field is precisely what S. 1017 is intended to provide. The tilt has long been in favor of Baltimore-Washington International, and this bill would help put the National and Dulles Airports on an equal footing.

But before I get into this discussion, I would emphasize that, however you choose to characterize the degree and fairness of competition between BWI and the Washington airports, this bill will not hurt BWI. It will not syphon off flights from BWI to Dulles. Traffic at Dulles will grow, but so will traffic at BWI.

Under the present regime, Jim Wilding's hands are tied. He has an excellent workforce, and two fine, though outdated, airports, but he cannot make the improvements most agree are necessary to allow modern operations at Dulles and to improve the flow of automobile and pedestrian traffic at National. Even if the government were prepared to fund improvements, he must propose them through the federal budget process, subject to reviews at at least four levels within the Administration before submission to the Congress. This process alone takes at least two years. Like most other airport operators, Mr. Wilding is obliged to collect fees and charges that cover all the airports' costs. Finally, he does not have funds to promote his facilities. The advertisements for Dulles you read or hear are paid for by a private organization.

Maryland's approach to airport operations, on the other hand, has enabled the State Aviation Administration to improve and aggressively market BWI. BWI, unlike Dulles and National, is an up-to-date facility. To the extent it needs further improvements, Maryland has shown it can respond quickly, as it did in 1983 for the Piedmont Airlines hub. On top of that, BWI's fees are kept low because its operations are subsidized substantially by the Maryland Transportation Trust Fund.

Our proposed transfer does nothing to give an unfair advantage to the Washington airports. It simply permits the airports, without subsidy of any kind, to finance improvements on the same basis as other airports. It will also allow the Metropolitan Washington Airports to do their own promotional work.

COMPETITION AMONG AIRPORTS

Concern about the effects of transfer on BWI is not a new issue; Maryland has been concerned about competition ever since a decision was reached during the Eisenhower Administration to build Dulles.

Such concerns are to be expected. In a sense, all airports compete to attract service from carriers. In particular, certain kinds of service are desired by every airport -- for example, the location of a carrier's hub, or a terminal for international flights. In that sense, both BWI and Dulles -- not to mention Boston, Philadelphia and Atlanta -- compete with Kennedy Airport in New York for international service. Similarly, Pittsburgh, Kansas City, St. Louis and Chicago all compete for domestic traffic. Each of them is a successful hub airport.

But at the same time, each airport has its own distinctive market that provides a base for airline service. The carriers recognize that BWI has a strong market of its own that is basically not susceptible to diversion to Dulles. Carriers are operating at BWI now because they have found a growing market there, and we see no reason for them to shift flights out of BWI after the transfer of National and Dulles.

Regardless of how the base market might be defined, BWI does and will continue to serve a segment of the metropolitan Washington area. Demand is so strong regionwide that before long the problem in the region will be lack of airport capacity rather than a lack of service. There will be more than enough growth for Dulles and BWI to share.

While there may be competition between BWI and Dulles, I do not believe the transfer will have any significant effect on it. The reasons for this can be observed from the present situation.

First, consider the claim that a low-cost transfer causes a competitive disadvantage. As I mentioned before, a higher cost transfer would simply result in higher user fees. I assume therefore that the argument is that carriers will prefer to serve an airport with lower fees. At the moment, however, landing fees at BWI are nearly twice the rate at Dulles and National, and have been at this relative level for at least ten years. Has BWI suffered? No. For years growth there, measured both in absolute numbers and percentages, has exceeded Dulles. Enplanements at BWI grew at a rate of about 28 percent in 1984. In the same year, enplanements at Dulles grew 20 percent, and at National 2 percent.

Further, soon after the airports are transferred and improvements are under way, fees will increase substantially at Dulles and National, and would soon exceed BWI's. Thus, if fees are the issue, BWI should support the transfer.

In fact, the transfer would only accomplish what the State of Maryland did with considerable foresight thirteen years ago, when the State bought Friendship Airport and proceeded promptly to rebuild it, issuing bonds to fund the improvements. The State is also gradually recovering its investment from the airport users through its rates and charges. Because the improvements at BWI are more recent than the last major improvement at the Washington airports, the construction of Dulles more than twenty years ago, BWI's charges are higher. But any future improvements to National and Dulles will be at higher present-day costs, possibly even without the benefit of tax-exempt revenue bonds, and rates here will exceed BWI's.

Maryland has also taken exception to what it calls "cross-subsidization" of Dulles by National. There is no transfer of funds from one airport to the other; the FAA has made a practice of establishing a common landing fee for the two airports for some time. It has simply been a means of recovering the costs of constructing both airports from the users, unlike the true subsidy provided BWI through the State's Transportation Trust Fund, which stands behind its bond issues and pays any operational deficits. Such a source of revenue has never been and will never be available to the Metropolitan Washington Airports.

The basic Maryland proposals for the transfer -- a substantial sales price, or separating Dulles and National -- would simply increase the costs to users at one or both airports, and thereby delay improvements, particularly at Dulles.

This suggests a belief that BWI's present level of service is a result of deficient facilities at the Washington airports. But the recent decisions by two major carriers (Pan American and New York Air) and a third new carrier (Presidential) to operate hubs at Dulles out of temporary facilities show that an airport's market is more important than the facilities it provides.

Finally, I would commend the Marylanders to the Metropolitan Washington Council of Governments 1981-82 survey of passengers at the three area airports. When asked which airport they preferred, 21 percent named BWI. That matched the 21 percent share of all passengers that were using BWI. National was preferred by only 46 percent of the passengers, even though 67 percent of them were using it. Dulles was preferred by 21 percent of the passengers, though only 12 percent were using it.

Those data suggest very strongly (1) that BWI, where preference and actual use were the same, already had the service patterns its passengers wanted; (2) that many passengers were using National because the service was not available at Dulles; and (3) that growth in service at Dulles would be at the expense of National, not BWI.

This in turn suggests that, with an effective limit on service at National through the freezing of slots, Dulles and BWI will split the growth in demand for air service in the metropolitan Washington and Baltimore areas.

ENVIRONMENTAL IMPACT

The principal environmental impact of airport operations is of course aircraft noise. Since the transfer legislation would maintain the status quo in terms of aircraft operations, there would not be a significant impact on the quality of the human environment from the transfer. The environmental impact of this level of operation has been addressed in considerable detail in past environmental impact statements issued by the FAA. Further evaluation should not be necessary at the time of transfer. Environmental analysis will be appropriate at the time major improvements are made with federal aid.

IMPACT ON THE LEVEL OF SERVICE

The level of service to the traveling public will only increase with transfer of the airports. The likely construction of a midfield terminal at Dulles will enable the development of "hub and spoke" service patterns there. This will provide Dulles users with more options, and permit the many users of National who prefer Dulles to find the flights they need there.

Since improvements will not bring Dulles any closer to the Maryland suburbs than it now is, growth in the portion of the Metropolitan Area now served by BWI will go to BWI. Thus service patterns will continue their natural improvement at BWI as the economy continues to grow. This improvement at BWI will not, of course, result from transfer. But it will not be inhibited by transfer either. As I mentioned before, the airline service problem for the region in the future will be providing the groundside capacity to meet the demand by the year 2000, not competition among airports for a share of airline service.

This concludes my prepared statement; we are now prepared to answer your questions.

Senator **Mathias**. Our next panel is my distinguished colleague from Maryland, Senator Sarbanes, and Mr. William Hellman, the secretary of the Maryland Department of Transportation.

TESTIMONY OF HON. PAUL S. SARBANES, U.S. SENATOR FROM THE STATE OF MARYLAND

Senator **Sarbanes**. Mr. Chairman, I appreciate this opportunity to appear before the subcommittee. I'd like to submit my full statement for the record.

Senator **Mathias**. It will be included.

Senator **Sarbanes**. I'll summarize it in the interest of time. I also want to ensure that Secretary Hellman who I regard as one of the most able Secretaries of Transportation in the country, has a full opportunity to speak to the subcommittee and respond to its questions.

Mr. Chairman, we're dealing here, I think, with a difficult problem, and it cries out for some resolution. But I think we need to work through it rather carefully.

The charge that was given by Secretary Dole to the Advisory Commission on which I served on the reorganization of the Metropolitan Airports, was very limited. It in fact assumed as a premise that the airports would in fact be transferred away from the Federal Government, and there was a very strong desire on her part, I gather, to devolve these airports in terms of her responsibility or the responsibility of the Federal Government.

I'm prepared to work within the terms of that premise; in other words, consider that the operation by the FAA is not the most appropriate form of organization. But it therefore underscores the importance of working out a structure that makes sense, and I'm frank to tell you I think the majority proposal of the Commission—there was a majority and a minority report—does not come to grips with some very important problems which I think are more adequately addressed in the different approach taken in the minority.

I think it's clear that all three jurisdictions have a clearly defined interest, in National Airport, Maryland, the District of Columbia, and Virginia—both by its location, by the nature of its passenger use, by its impact on the surrounding environment, all of those jurisdictions have an interest. And the proposal we made in the minority was that there be equal membership on an authority that would take over the operation of National Airport; in other words, there would be an independent authority, three members from each of the three jurisdictions, Maryland, the District of Columbia, and Virginia. We left open the possibility of adding Federal members, if that were thought desirable; recognizing the Federal interest in the gateway airport to the national capital.

And then to have taken Dulles and turned it over to the Commonwealth of Virginia; in other words, comparable to the existing arrangement roughly speaking, of Baltimore-Washington International Airport. So what you would have had is Virginia running an international airport at Dulles, Maryland running an international airport at BWI, and National Airport being run by an independent authority composed of equal membership from the three affected jurisdictions.

That structure would have accomplished, I think, some very important objectives. It would have obviously separated the operation of National and Dulles. I think it's important that that be done, if you're going to have a fair and equitable competitive situation between Dulles and BWI.

To place both under a commission, National and Dulles, permits innumerable opportunities, not only for financial cross-subsidization, which essentially would come at least under present circumstances, from National to Dulles; but also for the possibility of pressure on carriers with regard to access at the airports.

In other words, a carrier seeking access to National, a very highly sought-after possibility, would be confronted with the need perhaps to service Dulles as well, and could in effect be put into a package arrangement through linkage. That would place Maryland at a highly competitive disadvantage with regard to Baltimore-Washington International Airport.

The questions about the sale terms have, of course, been raised. I think there are very important questions there. It was not the prime reason that I moved to the dissenting position within the Commission, although I think it's worth looking at in terms of the amount of money the Federal Government is receiving from the transfer.

I happen to think the more important questions is to arrive at a rational, logical arrangement for the operation of these three airports within the general national capital area in a way that ensures fair and effective competition; ensures to the maximum extent possible the affected jurisdictions having a voice in the operation of National; and provides the best opportunity for controls that are necessary in terms of the environment. I do not think S. 1017 meets those standards, and I very much hope that in the course of considering this matter in Congress that we will move toward the position that was contained in the alternative report that was submitted by the Maryland members on the Dole Commission.

Mr. Chairman, I appreciate this opportunity to be before you.

[Senator Sarbanes prepared statement follows:]

STATEMENT OF SENATOR PAUL S. SARBANES

BEFORE THE SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY AND THE DISTRICT OF COLUMBIA
SENATE GOVERNMENTAL AFFAIRS COMMITTEE

S. 1017, AUTHORIZING TRANSFER OF NATIONAL AND DULLES AIRPORTS TO AN INDEPENDENT AUTHORITY

July 10, 1985

Mr. Chairman, I want to thank you for asking me to testify before this subcommittee today on a subject of great importance -- legislation to authorize the transfer of National and Dulles Airports to an independent authority. I will attempt to be brief and would like to submit my full statement for the hearing record.

I would like to begin by making observations in four different areas: 1. The Federal interest in both of these airports; 2. The limited charge to the Advisory Commission on the Reorganization of the Metropolitan Airports; 3. Maryland's alternative proposal to the Holton Commission; and 4. The question of fairness in the bill before us today, S. 1017.

First, it is obvious that there is a strong Federal interest in both National and Dulles Airports; and we ought to recognize that fact up front. Washington, D.C. is the nation's capital. National and Dulles serve as the gateway to this capital city, and therefore, I think it is essential that we carefully consider the arrangements and their consequences in the legislation before us.

Secondly, it is important to understand the premises underlying Secretary Dole's charge to the Advisory Commission on the Reorganization of the Metropolitan Airports. Her charge to the Commission assumed, in effect, that the airports would be transferred away from the Federal Government. Her motive, or a large part of her motive, has been to devolve these airports away from her responsibility. I make this point to underscore the limited scope of the Commission's responsibilities and options.

Some of us who served on the Commission made an alternative recommendation which is contained in the alternative report of the commission. Taking the premise that the FAA should not be in the business of operating the airports, we took a different approach and supported the action of transferring National to an interstate authority of equal membership drawn from Maryland, Virginia, and the District of Columbia with the possibility of some Federal participation as well. Dulles would be transferred to the Commonwealth of Virginia.

Our alternate proposal would have the effect of separating the operation of National and Dulles. We think that is important. Maryland has invested significant money in making Baltimore-Washington International Airport a very efficient airport, but the arrangement between National and Dulles under S. 1017 permits innumerable opportunities not only for financial subsidization but also for discrete pressures on carriers with regard to access to the airports.

Under the legislation drafted by the U.S. Department of Transportation, the extent to which a carrier commits to Dulles may be affected by the extent to which it has access to National. As you know, access to National is an important asset, and we in Maryland feel that this possible linkage puts us at a very strong competitive disadvantage. We have to consider the Federal investment in National and Dulles and which arrangements make the most sense in terms of addressing the air transport needs of the national capital.

We in Maryland have a further concern about the impact of S. 1017 on the surrounding communities. The problems of noise from National Airport are well known, and they must be dealt with. We need a structure that permits input on this issue and provides some assurances and protection to the local citizens.

Finally, one of the most compelling reasons to oppose S. 1017 is that it is fiscally irresponsible. The Federal Government has spent many millions of Federal tax dollars to develop National and Dulles Airports. Estimates of the fair market value of both airports have placed their value at $341 million. This figure does not even include the commercial value of over 3,000 acres of prime developable property at Dulles.

The bill before you today, S. 1017, calls for payments to the Federal Government of $47 million over 35 years by the independent authority. This price bears no relation to market value. It is in fact simply the book value of the theoretical indebtedness of the two airports. Transferring the airports for this amount would be equivalent to selling a piece of property to a buyer only willing to assume loan payments, with no consideration for equity or appreciation. The independent airport authority would not have to spend a cent to acquire these two facilities since S. 1017 provides that the purchase price of $47 million would be paid out of the operating revenues of both airports, which produced an annual surplus of some $19 million during the last fiscal year. Not only would the authority get the two airports for an approximate discount of $300 million, but the purchase costs would be borne by the users of the airports.

I believe that the airports should be transferred to a locally-controlled public entity; however, this must be done fairly and with the concurrence of all affected jurisdictions. S. 1017 does not do this. This bill is contrary to the national interest, to the interests of Federal taxpayers throughout this country who have paid for those airports, and to the interests of those people from all over the nation who will use these facilities in the future. For these reasons, I oppose S. 1017.

Senator **Mathias**. Thank you very much, Senator Sarbanes. I certainly concur in your estimate of the abilities of Secretary Hellman. We're happy to welcome him here today.

TESTIMONY OF WILLIAM K. HELLMAN, SECRETARY, MARYLAND DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY THEODORE E. MATHISON, ADMINISTRATOR, BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT

Mr. **Hellman**. Mr. Chairman, on behalf of Governor Hughes, I want to thank you for the opportunity to present the State of Maryland's position on this very important piece of legislation.

I want to assure you that Maryland is not trying to play the role of spoiler or obstructionist. We have very serious concerns with transfer of the two airports as proposed in S. 1017.

Let me begin by complimenting Secretary Dole and Governor Holton for their efforts in attempting to resolve this longstanding issue.

Maryland agrees with the concept to "defederalize" the two airports. We believe defederalization would in the long run result in a more responsive operation and in improved air facilities and services to our Nation's Capital—something that we all support.

At the same time, the transfer to local control must be equitable. It must provide for fair representation, a fair selling price, and fair competition. The transfer as proposed does not provide for these three criteria, which are basic to an essential test of fairness.

With respect to the first criteria, fair representation, Maryland residents comprise over 40 percent of Washington Metropolitan population, and are affected by noise from National Airport. Nearly one out of every four users of National Airport is from Maryland. Although its citizens are affected by the operation of National, Maryland would have virtually no say in its operation. Only 2 of the 11 members of the proposed regional authority would represent Maryland.

The new authority would be a Virginia corporation and would not require approval by Maryland's General Assembly.

In summary, with respect to fair representation, the proposed authority is regionally unbalanced, and is not the result of a regional consensus—as it should be.

The second criteria for a test of fairness is a fair selling price. The proposed selling price is $47 million to be paid over 35 years at a 4.9-percent interest rate. This is apparently the net debt to the Treasury, that is, the amount of the Federal Government's investment in the airports not yet repaid to the Treasury through airport revenues.

We believe it reasonable to ask the question what does the net debt to the Treasury have to do with the real value of National and Dulles?

In 1983, the Grace Commission estimated the airports' value at between $292 and $414 million, with a mean value of $342 million. Compare the selling price of $47 million over 35 years at 4.9-percent interest for two airports located on approximately 12,000 acres of land with Maryland's investment in BWI.

In 1972, the State of Maryland paid $36 million outright for its 3,200 acre facility. The citizens of Maryland have invested nearly $150 million in BWI since that time. In today's dollars, Maryland taxpayers have invested over $250 million in BWI.

On the other hand, the State of Virginia, through the authority, would control both airports, and the taxpayers of Virginia would not be required to invest $1.

Why is the selling price so important?

First, the issue of a giveaway at a time when Federal budget deficit reduction is the No. 1 national priority, and second, an unfair selling price would not result in fair competition—the third criteria in an essential test of fairness.

Under the proposed transfer, fair competition would not occur. A fact that must be made very clear is that BWI serves both the Baltimore and Washington Metropolitan regions. In fact, a 1981 Washington COG study showed that 28 percent of the users of BWI originated in the Washington Metropolitan region. We believe that figure has increased to over 30 percent with the establishment of the Piedmont hub at BWI.

This clearly shows that BWI does have a stake in the Washington marketplace and must be allowed to compete fairly.

The transfer as proposed would not allow fair competition because the low-transfer price would allow the authority to finance improvements at a level unconstrained by the need to pay a fair price for the assets which it has obtained to the detriment of BWI. The low price will permit the two airports to continue their lower than normal landing fees, to the detriment of BWI.

The authority can leverage concessions to the airlines at National in order to gain service at Dulles, to the detriment of BWI. As indicated earlier, without fair representation, Maryland would be powerless to influence such actions.

The authority can continue forever subsidizing improvements at Dulles from the profits at National, to the detriment of BWI, and the authority has the ability to lease at least 1,000 acres of developable land at Dulles, representing an asset of $200 million.

This property is being turned over to the authority at no charge, and will provide them with a substantial revenue source, to construct capital improvements or subsidize operating costs, all to the detriment of BWI. Now, I heard earlier this morning that that is really not their intent, that they don't intend to develop their property, they don't intend to generate those revenues, they don't intend to subsidize development. If that's true, fine, change the bill. Say that.

BWI and the taxpayers of Maryland cannot compete fairly with an authority and both airports under these conditions. Senator Sarbanes indicated we think there is a better way to do it, a better way to make the transfer. Our proposal would transfer National to an interstate authority, and Dulles to the State of Virginia. National is considered by many in the Federal Government as its airport. We've heard that through the testimony. We recommend National be run by an interstate authority made up of approximately equal representation from the District of Columbia, Virginia, Maryland, and the Federal Government. If anything, the District and the Federal Government should represent the majority vote on such an authority.

Dulles should be transferred to Virginia. More than half of its users are from Virginia.

Neither Dulles nor BWI really compete with National. National has the advantage of proximity to downtown Washington, which neither BWI or Dulles can overcome. BWI and Dulles really compete with each other.

The Federal Government should not transfer the airports in a way that is unfair to BWI. By transferring Dulles to the State of Virginia, no unfair cross-subsidization of National/Dulles would occur, that is, Dulles landing fees would not be subsidized by National. Dulles would not be able to attract flights to Dulles as a result of concessions at National. Dulles would not be able to unfairly develop capital improvements because of the unjustifiably low selling price and use of profits from National.

For additional funding at Dulles, Virginia, like Maryland and other jurisdictions, would have to turn to its taxpayers.

The matter of selling price, with the airports divided and the development land associated with Dulles, would have to be negotiated in a manner that is fair to those involved—Virginia, the District of Columbia, Maryland, and the Federal Government.

In conclusion, Maryland's position is to transfer National to an interstate authority and Dulles to the State of Virginia or as an alternative, Maryland would offer to acquire the two airports at double the asking price—$94 million.

We favor transfer of the airports to local control. All we ask is that the transfer be based on three principles: Fair representation, fair competition, and a fair selling price. The proposed transfer does not accomplish these goals. We believe that there are better ways to return these facilities to local control.

Thank you, Mr. Chairman. I'd be glad to try to answer any questions you might have.

Senator **Mathias**. Well, now, you've given us a prescription for handling this problem. Would you care to comment on any changes that you'd make in the existing bill?

Mr. **Hellman**. Well, we would obviously prefer that the two airports be divided, so that BWI doesn't have to compete against the cross-subsidization forever and ever.

Senator **Mathias**. You think there is a symbiotic relationship, they are linked together.

Mr. **Hellman**. Well, as I said, we believe that National is pretty much at capacity. Assuming that all the constraints are put on the operation at National, as Secretary Dole has indicated she would do, that the real competition in the future is between Dulles and BWI. And we don't mind competition, we think competition is good between the two airports. We think that the Nation's Capital and those that use the facilities will benefit from that. But at the same time, we feel that we shouldn't have to compete forever and ever against that cross-subsidization, because of that fact.

Now as far as the existing bill, you're saying what would you do to the existing bill? The major item is price, as far as we're concerned. Representation is important, but price is very important. What I've heard this morning is that $47 million works as a selling price. They can undertake the capital improvements, and I assume from what they're saying that the $300 million doesn't work. I think somebody should ask the question does $100 million work, does $150 million work. We haven't seen the financial analysis that was given to the committee this morning, Mr. Chairman——

Senator MATHIAS. We didn't see the latest one until yesterday ourselves.

Mr. HELLMAN. I think somebody has to look very carefully on whether developable land is taken into account, how fast the improvements are planned for these two airports, and those types of things. We would be pleased to review those reports, and provide you with our comments on them.

Senator MATHIAS. Well, we will ask you to do that; in fact, I ask you now if you will take a look at the financial analysis and give us your comment on it.

Mr. HELLMAN. I'll be glad to do that.

Senator MATHIAS. If, as Mr. Wilding has testified, there is to be no development of the 1,650 acres—that's the right figure, Mr. Wilding—which is reserved for aviation use, the buffer zone would not be commercially developed, but might be used for peripheral uses such as the Air and Space Museum; and that the commercial development would be restricted to several hundred acres of airport-related activities, such as hotels and motels, would you see any significant advantage?

Mr. HELLMAN. To what?

Senator MATHIAS. To Dulles.

Mr. HELLMAN. Sure. I think that—again, let me read what the bill says. For the purpose of this subsection, the term "airport purposes," and this is with respect to the developable land, which I think is an important issue—airport purposes includes a use of property interest other than a sale for aviation business or activities, or for nonaviation business, or activities that provide revenue for the airport authority.

It says or activities that provide revenue for the airport authority. Well, to me that can be everything and anything, Senator. They can put a McDonald's on one corner, and a Burger King on the other corner, as long as it provides revenues to the authority. And of course, with that potential out there to generate that type of revenues, it really creates an unfair situation in that they can help subsidize operating costs, keep landing fees down, or have a generous fund with which to build capital improvements again to the detriment of BWI. The improvements at BWI would have to compete with other transportation modes in Maryland, as you know.

Senator MATHIAS. The test that I think this Committee has established is the test of the public interest here. When you say it would be unfair, unfair to BWI?

Mr. HELLMAN. Unfair to the citizens of Maryland, right, who have invested $250 million in their airport.

Senator MATHIAS. How does that unfairness translate into everyday life, how does that unfairness affect the passenger who arrives with his or her suitcase at BWI?

Mr. HELLMAN. Well, I think what it does is it gives the two airports, it gives National and Dulles the opportunity to build facilities faster, to keep landing-rates low, which will create unfair competition for BWI, which will pull business away from BWI; which obviously is to our disadvantage.

Senator MATHIAS. When you talk about landing fees, in that there may be a differential of $1 or $2. Some of the other panels indicated that $1 or $2 was an inconsequential difference in landing fees as far as the individual passengers, the normal traveler is concerned. What's the effect of that on air carriers who are considering a choice of location, who are interested in getting landing slots? Does that have any impact on their thinking? Even though it's understood that ultimately the passenger pays it in the final analysis.

Mr. MATHISON. Mr. Chairman, as was indicated earlier, it represents a relatively small portion of airline costs. But our experience in dealing with the airlines is they look at total cost in terms of when they're going to start operations. I think what really drives it, though, is the question of market, is the demand there for the air service. And I think that is what drives the air carrier decisions. Certainly costs have some influence on it.

Senator MATHIAS. One of the questions that has arisen in this whole discussion is the degree of cooperation that should exist in the interest of the traveling public, the degree of cooperation that should exist between the airport managers at Dulles, National, and BWI. What is the current level of that cooperation?

Mr. MATHISON. Our staffs work together, we compare notes on what I would classify technical matters. But in terms of discussions between Jim Wilding himself and his managers, and myself on air service, we don't because again, it's a marketing decision on the part of air carriers. And it really raises the question in the deregulated environment, would it be appropriate for us to be discussing which carrier should service which airport.

Senator MATHIAS. When was the last time you and Mr. Wilding met on a business basis?

Mr. MATHISON. About a month and a half ago, sir.

Senator MATHIAS. To discuss general management problems?

Mr. MATHISON. We discussed development of the airports in very general terms, tied to economic growth in the area. It was a very generic discussion.

Senator MATHIAS. Mr. Secretary, at the Commerce Committee hearing, Governor Hughes was asked for a breakdown of the money spent at BWI. And I'm wondering if those figures had yet been compiled.

Mr. HELLMAN. Yes, we have the figures, and as they were indicated earlier, it's basically $180 million, $30 million approximately of which have been Federal funds, the other $150 million have been State funds, part of that in the form of general funds, and the other part from the Maryland Transportation Trust Fund.

Senator MATHIAS. And will you give us a copy of that breakdown for the record?

Mr. HELLMAN. I'd be glad to, Mr. Chairman.

[The information referred to follows:]

State Aviation Administration.—Baltimore/Washington International Airport Statement of Investment 1972–1985

Facility:	Amount
Airport purchase	$36,000
Other land purchase and sale (net)	619
Runway taxiway/ramp improvements	23,819
Parking lots	6,356
Terminal expansion program (1976–1979)	63,208
Pier D extension (1983)	17,871
Cargo building	6,195
General aviation complex	5,754
All other improvements (including construction-in-Progress; excluding equipment)	9,954
Equipment	8,038
Total investment	[1]177,814
Federal ADAP/AIP funds	28,129
State general funds	[2]35,785
State MDOT trust funds	[3]113,900
Total investment	[2]177,814
State of Maryland funds invested (1985 dollars)	
State general funds	92,000
Maryland Department of Transportation trust funds	172,000
Total	264,000

[1] Private capital investment not included.
[2] Equivalent to about $92 million in 1985 dollars.
[3] Equivalent to about $172 million in 1985 dollars.
Prepared by: SAA finance section revised July 10, 1985.

Senator **Mathias**. We thank you very much, unless you have something further.

Our next panel would be Mr. Paul Ignatius, the president of the Airline Transport Association, Mr. William Philion, president, airports and materials; and Mr. James T. Murphy, vice president of airports and materials.

I am advised that Mr. Philion is not with us.

TESTIMONY OF PAUL IGNATIUS, PRESIDENT, AIRLINE TRANSPORT ASSOCIATION, ACCOMPANIED BY JAMES T. MURPHY, VICE PRESIDENT, AIRPORTS AND MATERIALS, ATA.

Mr. **Ignatius**. Mr. Chairman, I am Paul Ignatius. This is Jim Murphy, who has been in charge of all of our airport work for the last 6 years or so, as vice president of the Air Transport Association.

As you mentioned, Norman Philion who had intended to be here today, became otherwise occupied this morning, and sends his regrets that he is not able to be here.

Mr. Chairman, I have a full statement which I hope you will insert in the record.

Senator **Mathias**. It will be included.

Mr. **Ignatius**. And in the interest of time, I will proceed with a brief oral statement, and then Mr. Murphy and I can respond to your questions.

First, let me say at the outset that the Air Transport Association, on behalf of its members, supports the legislation that the administration has proposed, S. 1017, that would transfer these two

Federal airports, National and Dulles, to a local authority. And our reasons are several in number.

First and perhaps most importantly, we believe that this transfer would result in a far more stable policymaking environment than we have had over the years. There have been many, many uncertainties, particularly with respect to National Airport, as a result of the different objectives of changing administrations; as a result of differing views in the Congress.

The airline business is a long leadtime business. The investments often are substantial, and one likes to have a certain predictability with respect to continuity of policy, which in many respects has been lacking in past years, and which we feel would be remedied if this bill were enacted, and we had then an authority along the lines that is proposed.

The second reason is that there are substantial capital investment needs at both National Airport and Dulles. Today, those needs, if met, are dependent upon the appropriations process. I think all of us as citizens of the country can feel for the kind of excruciating problems that you in the Senate, and in the Congress in general, face these days trying to meet all of the many public policy considerations; while at the same time looking at substantial budget deficits not only this year, but expected to continue over many years in the future.

If these airports were transferred from Federal ownership and control to the authority that has been proposed, that authority could then look to the private capital markets for the capital needs of both Dulles and National; and relieve the appropriations process of at least one of the demands upon it. And those demands foreseeable are on the order of $200, $250 million, a $¼ billion.

It's the general rule, it seems to me, in the United States to look to the private economy where that can be done, and to reserve to the Federal establishment only those things that either should be done there, or for whatever reason, or must be done there. And other than that, irrespective of party affiliation and so forth, the policy has been to look to the private economy.

The Office of Management and Budget, in many circulars over the years, has stressed this point.

These two airports are unique in being federally owned, and if they were transferred to a local authority, that authority then could look to the private markets for the capital needed for the necessary expansions.

So those are the two main reasons.

Now, some questions have arisen with respect to the administration's proposal, some of which have come up in the hearing already this morning. For example, is the $47 million figure associated with the transfer fair and reasonable, or does it constitute some kind of giveaway?

Well, first, the transfer involves two assumptions of responsibility, as I understand it, Mr. Chairman. First is the repayment of the unabsorbed capital investment, and that's the $47 million. We have no problem with that. Ultimately, the airlines pay all or a substantial part of this, and we're prepared to do that in this instance.

But there's another obligation that the new authority would assume if this legislation were enacted, and that is the obligation for the unfunded pension amounts for the Federal employees of the airports, and I'm told that that figure is something on the order of perhaps $33 million or so. These two sums are additive, so that the financial obligation that the new authority would assume upon enactment, would be $47 million plus the approximately $33 million, or something like $80 million.

Now from the airline standpoint, we are fully prepared to pay here as we do at airports throughout the country, our allocable share of those costs. We have been paying those over the years at these two airports, and the remaining, unamortized capital investment is $47 million, and we're prepared to pay our part of that. I don't think it's unreasonable for me to say on behalf of our airlines that we don't want to pay twice for the same thing. If we've paid for it once, we don't want to pay for it a second time.

Now the question of the Grace Commission report, and the $300 million or so as an assessed value of these properties—it may well be that that's an understated amount for the value of these properties, if they could be used for other than airport purposes. The value of land is partly inherent, but it's often measured in terms of what the land can be used for.

This legislation narrowly prescribes the use of that land, that it be continued in the case of both Dulles and National Airports, for primary service airports. It can't be used for high-rise condominiums. You can't close the airport down and build houses.

Senator MATHIAS. $47 million would be cheap for National alone on that basis.

Mr. IGNATIUS. Absolutely, absolutely, it would be very cheap for National alone, and I expect there would be all kinds of developers who would love to come in there and do that. But the bill recognizes that, Mr. Chairman, and specifically obliges the authority to continue their use as primary service airports.

The other issue that's raised, the other question, is: Would this be fair to Maryland. I would simply make the brief comment that Baltimore-Washington Airport is a fine airport. It is growing at a rapid rate—double-digit increases in passenger transportation, if you look at FAA data both in the past and projected up into the 1990's to the year 2000. This growth is expected to continue. In prior years, National Airport accounted for the lion's share of the Washington market; that is, Dulles, BWI, and National. It's on the decline, and that decline will continue. And I have to point out that air transportation isn't just the movement of people; it's the movement of cargo, and Baltimore-Washington's cargo tonnage is almost double the combined total of both Dulles and National Airports.

So it's a very important airport, and it will continue to be an airport of great importance to this area, with the sort of growth that everybody projects for the Washington-Baltimore market—FAA thinks there will be 52 million passengers in coming years. We're going to need all of these airports, and the area is lucky that it has National, Dulles, and Baltimore-Washington to which to turn.

This completes my oral statement, Mr. Chairman, we can respond to your questions.

Senator MATHIAS. Tell us a little bit about the slots. How do you get slots?

Mr. IGNATIUS. There are four airports in the country that operate under FAA's high density rule, which was established a decade or more ago, if memory serves me accurately, in order to handle traffic at Washington National, LaGuardia, Kennedy International Airport, and O'Hare.

Over the years, there has been in operation a committee of airline representatives who have met, with oversight by the Civil Aeronautics Board when it was in existence, the Department of Justice, and the Department of Transportation, to ensure that the discussions with respect to the allocation of slots would be handled in an appropriate manner.

To the best of my knowledge, Mr. Chairman, in this decade or more that these committees have operated, there has never been a single question with respect to any antitrust sensitive matters or any improprieties in that regard.

In short, the slot committees get together, and through a process of swapping, try to see if they can come up with the allocation. The allocation, in the case of National Airport, is established by the Federal Aviation Administration, and slots are allocated in total to air carriers as a group, to general aviation, that is the private planes as a group; and to the commuters, as a group. The number of slots allocated to the air carriers is 37 per hour during the controlled hours of the day and the legislation would continue that particular high-density rule.

That is to say, if the legislation were enacted, these levels of operation, the 37 air carrier operations per hour—would be continued.

Senator MATHIAS. Well, now, Drew Lewis talked in terms of passenger ceilings. Secretary Dole is now talking in terms of substituting the slot limitations for passenger ceilings. In your judgment, is that equally effective?

Mr. IGNATIUS. I'd like to comment on that. We have had questions over the years with respect to the passenger ceiling, because often it seemed to be discussed in terms of noise as a consideration. And we've often said that it's not the passenger who makes noise, it's the airplane that makes the noise. We have an anomalous situation today, Senator Mathias, where there are new airplanes available that in some instances are larger—that is to say, they carry more passengers than the airplanes that they replace—but they are substantially quieter than the airplanes they replace.

So that you could have a situation, if you were controlling by numbers of passengers, where you deny the new plane coming in, and pay the cost of greater noise than you would otherwise have. We've argued all along, the high-density rule establishes the level of operations, that is the 37 that I spoke of. That is not changed in the legislation, but we've said remove the cap because you have the control through the number of operations. And by removing the cap, we avoid that anomalous situation where more people coming in on quieter airplanes in the interest of the community would not be denied to this airport.

In summary then, we very much support that feature of the administration's bill that would remove the cap.

Senator MATHIAS. What about the 1,000-mile nonstop perimeter rule?

Mr. IGNATIUS. That rule is a modification of an earlier rule, which had been established some years ago, limiting the nonstop distance to 650 miles from the airport. In this respect, Senator, we have never as an association been able to develop a single position that our members could adhere to, which would be the basis for my giving testimony here today, or making statements in other arenas.

Senator MATHIAS. If one of your members asked you whether or not you think the 1,000-mile perimeter rule will apply after this legislation is enacted, if it is, what do you tell them?

Mr. IGNATIUS. Your question again was if one of my members asked me——

Senator MATHIAS. Will the 1,000-mile rule apply, if this legislation is adopted?

Mr. IGNATIUS. The legislation does not address the rule per se.

Mr. MURPHY. Senator, the legislation transfers that portion of the rule, the 1,000-mile perimeter, to the new authority so they have a body of law that they can either retain, revoke, or do whatever they wish, according to their own procedures after they are established.

Mr. IGNATIUS. As I said, I don't think that the legislation explicitly discusses the perimeter rule, but it transfers what amount to local rules to the local authority; and it retains the high-density rule, which is an FAA rule. It retains that in its present form, and does not transfer authority with respect to that to the new authority.

Senator MATHIAS. But Mr. Murphy, this was an FAA rule, right?

Mr. MURPHY. Proprietary rule, yes. The FAA rules and regulations for Washington National and Dulles.

Senator MATHIAS. So it will then become an authority rule.

Mr. MURPHY. It transfers to the authority with this legislation, in order to give the authority a body of law when it is established. The authority can either keep those rules or change them or revoke them according to their own procedures.

Senator MATHIAS. How does that ensure continuity and stability? You have stated that one of the reasons that you thought this bill was good was because it would ensure continuity and stability. It seems to me that if you raise questions about the perimeter rule, which may be maintained, may be amended, may be abolished; if you eliminate the passenger cap and substitute slot as the restraint on traffic; if you look at easing of nighttime noise restrictions, which is certainly a possibility, that continuity and stability are certainly affected. And not necessarily positively.

Mr. IGNATIUS. Let's take the cap as an example. There was no cap, then there was a cap; it was changed, it was changed again, and it's in a kind of limbo at the moment. You're quite right that the new authority——

Senator MATHIAS. And the Congress has some responsibility for that uncertainty.

Mr. IGNATIUS. That's right, let me hasten to confess, that's correct. So to that extent, with an authority of the type that's envisioned here, we would expect that there would be greater continuity. Insofar as the perimeter rule is concerned, that has been a highly contentious thing, I don't have to tell you, over the years with all kinds of overtones. And it very well, in that respect, could continue to be a problem for the new authority. That's something, I guess, we would have to live with.

But with regard to the other matters having to do with the planning environment that I spoke of in my oral statement, we think there would be greater stability.

Senator **MATHIAS**. The courts have raised some question about the perimeter rule.[1] and I'm wondering if in the light of these court decisions, how that would affect your thinking with respect to the transfer of the authority to promulgate changes or other amendments to the perimeter rule.

Mr. **MURPHY**. Senator, you've asked a very good question, and I think the court case involved gets a little muddy here. The city of Houston, I believe, brought suit against the FAA, stating that the 1000-mile perimeter was not appropriate. And the Fifth Circuit Court, I believe it was, held that the FAA as proprietor had every right to establish a perimeter.

But reading this decision, the court also held that the FAA had found that an airport in Orange County, CA, John Wayne Airport, which had tried to establish a perimeter, could not do it, because it was the only airport in town. And it was unfair, it had a monopoly; The court said in the case of National and Dulles, there are two airports, as well as Baltimore, serving this market. So as proprietor, the FAA had every right if they wanted to, to establish a perimeter rule at National.

I do not see why that ruling of the court, while it's not exactly on point with this, would not be just as applicable to the new authority as it is to the FAA today.

Senator **MATHIAS**. It's something to ponder, however, as you change the character of the management.

Mr. **MURPHY**. Correct.

Senator **MATHIAS**. Gentlemen, I'm very grateful to you both for being here. We could continue this conversation at length. We have a live quorum going on on the floor, and about to be a vote, so I think we better call the last panel.

Mr. **MURPHY**. Thank you, Mr. Chairman.

Senator **MATHIAS**. We may have some further questions we'll direct to you in writing.

[Mr. Ignatius' prepared statement follows:]

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[1] See p. 436.

Statement of Paul R. Ignatius
Air Transport Association of America
Before the Subcommittee on Governmental
Efficiency and the District of Columbia
Committee on Governmental Affairs
United States Senate
July 10, 1985
On S. 1017

Mr. Chairman and members of the Committee, I am Paul R. Ignatius, Chairman of the Board and Chief Executive Officer of the Air Transport Association of America (ATA), whose member airlines consitute the major segment of the nation's airline industry. I am accompanied by Norman J. Philion, President, and James T. Murphy, Vice President, Airports and Materials, ATA. We are pleased to offer our views on S. 1017 providing for the lease-transfer of the Metropolitan Washington Airports to an independent local airport authority.

At the outset, I want to state that the member airlines of ATA support Secretary Dole's and the Administration's initiative to transfer Washington National and Washington Dulles International Airports to a local authority. We have one significant amendment to offer which I will discuss later in this testimony. This hearing also provides an opportunity to recognize the fair-handed and informed manner in which Governor Linwood Holton conducted the months of work of the Commission whose recommendations led to the pending legislation. I was pleased to serve as a member of the Commission. Secondly, I want to emphasize that our support of the transfer legislation should not be construed in any way as criticism for the manner in which the dedicated, professional personnel of the Federal Aviation Administration have operated these two vital airports through the years.

It is apparent to all who use these airports that expanded and modernized facilities are needed at both National and Dulles Airports. Improvements to the road system and public parking facilities at National Airport are long overdue, as is a reasonable linkage of the Metro Rail station to the terminal facilities. The North Terminal and portions of the Main Terminal at National need immediate refurbishment to meet current demand, and baggage handling facilities throughout the airport are generally inadequate.

The dramatic growth at Dulles International Airport requires immediate development of more passenger handling facilities to meet the ever-increasing level of medium and short-haul flights. The proposed construction of the mid-field terminal is a necessary step to accommodate this type of traffic. As this airport continues to grow -- and it will -- more extensive facilities, in addition to the mid-field terminal, will be required to meet increased demand. Public parking facilities at Dulles have been considerably expanded, but additional areas will be needed because the use of automobiles by the travelling public is the predominant mode of transportation to and from the airport.

Faced with the current federal deficit, we believe that the Administration and Congress will find it difficult to appropriate the large sums of money necessary to meet these capital requirements both now and in the future. Access to the traditional funding sources available to all the other airports in the United States appears to us to be mandatory if these two airports are to meet the demands being placed upon them in a timely and efficient manner. The proposed transfer to a local authority would make this possible.

After careful consideration of many factors, particularly the need to modernize and improve Washington National and Dulles International Airports, which with Baltimore-Washington International Airport are essential to meet air transportation's rapidly growing requirements, we have concluded that this legislation is necessary and should be enacted. It assures the establishment of policy continuity for the users and will also provide for more responsive and timely expansion and modernization of critically needed facilities at both airports.

The amendment that ATA recommends consists of the deletion of Section 7(a)(4)(2). Section 7 of the bill provides that the current rules and regulations of the Metropolitan Washington Airports (14 CFR 159) would become the regulations of the new airports authority upon transfer and would remain in effect until modified or revoked by the authority under its own procedures. Three exceptions are made in the bill with respect to the transfer of Part 159. ATA believes, and the Department of Transportation concurs, that one of these exceptions should be amended, specifically that pertaining to 14 CFR 159.40.

Part 159.40 sets forth the nighttime noise limits for landings and takeoffs at National Airport. The bill before you would freeze the substance of this rule for the 35 year lease term. ATA recommends the deletion of this language in Section 7(a)(4)(2) and urges instead that the responsibility for considering changes to the nighttime regulations at National Airport rest with the new airports authority.

I would like now to turn to an aspect of the transfer which has sparked some interest. This involves the question of whether the financial arrangements specified in the legislation adequately compensate the federal government.

It is important to note in this regard that the legislation requires the new authority to operate National and Dulles as "primary" airports, which are defined in the Airport and Airways Improvement Act of 1982 as commercial service airports. This legislation ensures that National and Dulles will remain as airports in the future. This was a key point in the deliberations of the Holton Commission, and the financial arrangements contained in the legislation reflect the continued use of the two airports as airports and not something else.

Through the years, airport users have paid for the annual operations and maintenance costs of both airports, and all but $47 million of their acquisition and capital development costs. The legislation stipulates that this remaining balance of federal debt will be paid off with interest during the course of the lease. The member airlines of ATA are fully prepared to pay their full share of such costs. We do not, however, want to pay for the airports twice. In summary, these airports are not being "given away" by the federal government, but are being leased to a local authority which must continue to operate them as commercial service airports.

In conclusion, ATA believes that this bill offers benefits for all parties of interest. It puts into place a locally based airports authority vested with the power to finance necessary facilities at both airports without burdening the federal budget process. It lays the base for what should be a stable and efficient policy framework within which adequate planning can be accomplished. The ATA supports the bill as written except for the section which should be amended in the manner previously indicated.

Mr. Chairman, this completes the ATA statement. We would now be pleased to address your questions.

Senator MATHIAS. The final panel, Mr. Frank Ikard representing the Washington Board of Trade; Mr. Ronald Creamer, the president of the Public Policy Council of the Greater Baltimore Committee, and Mr. Luther Hodges, chairman of the Washington-Baltimore Regional Association.

Gentlemen, it's a pleasure to see you. We appreciate your being here. As I just stated, we are under particular pressure of time because the bells are likely to explode, so we'll ask you to make your presentation just as succinctly as possible.

Who would like to begin?

TESTIMONY OF FRANK IKARD, REPRESENTING THE GREATER WASHINGTON BOARD OF TRADE; RONALD E. CREAMER, PRESIDENT, PUBLIC POLICY COUNCIL, THE GREATER BALTIMORE COMMITTEE; AND LUTHER H. HODGES, JR., CHAIRMAN, WASHINGTON-BALTIMORE REGIONAL ASSOCIATION

Mr. IKARD. Mr. Chairman, I'll start if I may. I'm Frank Ikard, representing the Metropolitan Washington Board of Trade, which is, as you know, a regional association.

Very briefly, if my statement may be included in the record, I will summarize.

Senator MATHIAS. All statements will be included in the record in full.

Mr. IKARD. The Board of Trade supports the proposal to transfer the two airports to the authority as has been outlined by the previous panels, particularly the statement of Governor Holton.

We have conducted a survey which indicates that a majority of the users of the airport support the need for improvements to both of them, which we think this authority provides the vehicle whereby those improvements can be accomplished and done.

We support the structure of the authority as outlined. We think this method is based on the principle that Governor Holton alluded to in his statement of being one of a public service concept, which through this kind of an organization, can best serve the traveling public, and the means to develop trade and commerce in this area by providing a way that the funds can be raised for the immediate development of these airport facilities. And that it gives a true and tried way of administering them.

And Mr. Chairman, I'll be glad to respond, either now or later, to any questions that you might have.

Senator MATHIAS. Mr. Creamer.

Mr. CREAMER. Mr. Chairman, I'm Ron Creamer. I represent the Greater Baltimore Committee. I serve with its board of directors, and I'm president of the Public Policy Council. I'm here also representing the Maryland Chamber of Commerce, on whose board I serve.

The Maryland Chamber and the Greater Baltimore Committee are very concerned about S. 1017. They deem it to be a potential, serious problem for the business community in Maryland. As you know, Maryland and Virginia are directly in competition for economic development.

As you also know, Maryland is not a Sun Belt State. I make no apologies for the State of Maryland. I've lived there all my life, it's a fine place, but it certainly ranks in the middle of the pack in terms of States' economic development. Maryland and Virginia go head to head constantly. One of the major assets that Maryland has is BWI.

Maryland spent hundreds of millions of dollars at BWI Airport. They spent thousands of hours proselytizing, both as a governmental function and by private citizens for the airport; and the airport has been a great success. Most recently, as you've heard, Piedmont has made it a hub airport.

As compared to the huge investment that Maryland has, Virginia would have some $47 million invested in Dulles. The former Governor of Virginia says that this is not really a sale. The Internal Revenue Service would call it a sale. I believe any private citizen having that kind of transaction would call it a sale; and if it's not a sale, it's a gift, which is even worse.

We believe that the valuation process in the report of the committee, which was the Advisory Commission on the Reorganization of the Metropolitan Washington Airports, is lacking in any attempt to find fair value. In an attempt to find value, they said:

> Valuation of airport property is a difficult business, as airports are rarely bought and sold. The Commission is satisfied that however market price might be determined, a public transferee willing to pay a substantial price for the Metropolitan Washington Airports is not available.

The fact that airports are not bought and sold very often is no reason not to attempt to evaluate the airports for full value. Nor is the fact that public transferees are the only acquirers a reason not to.

The Empire State Building isn't often bought or sold, but sophisticated investors can tell you what it's worth.

We believe that the value placed on these airports will place Maryland at a serious disadvantage with Virginia. We believe the Baltimore business community objects violently to what's happening here, and we believe that it would be unfair both to the Federal Treasury and to the State of Maryland if S. 1017 passes.

Thank you.

Senator MATHIAS. Thank you very much. Mr. Hodges?

Mr. HODGES. Good morning, Mr. Chairman. Thank you for the opportunity to be with you. I'm Luther Hodges, I'm chairman of the Washington-Baltimore Regional Association.

This year's chairman does come from the Washington area, and I——

Senator MATHIAS. The so-called common market.

Mr. HODGES. The common market. And I am not really here to arbitrate between the two——

Senator MATHIAS. I note, however, that you have a position in the middle. [Laughter.]

Mr. HODGES [continuing]. Private sectors. My role, awkward as it is, is to describe the dynamics of the market, which the airports are designed to serve, and all of us take a great deal of pride in the total market. I wish there would be a way or a forum by which the private sector, the two private sectors, might find a way to work toward a solution.

But as I say, I'm here to talk about the market itself, and to add that perspective, and I basically think the material I will leave with you and the formal remarks will do that.

But our research, as you know, the common market is the fifth largest market in this country, and with the highest median household income, and one of the most highly educated work forces, it has also developed as a highly accessible market, with a highly sophisticated and comprehensive transportation system.

It also represents the sixth busiest air market in the United States in terms of air carrier departures.

Senator MATHIAS. Now you're talking about the common market area.

Mr. HODGES. The common market area, which I think just the dynamics of the area are important to the——

Senator MATHIAS. I think this is a very important deliberation, a very important element of this whole discussion.

Mr. HODGES. There isn't much else that we can say, but we'll talk marketing for a moment.

The sixth busiest air market. During 1984 alone, the three airports handled over 1,900 daily flights, 25 million passengers, and 275 million pounds of freight, and direct employment for 14,500 people. The Baltimore-Washington region is also the second greatest destination point for international travelers. The presence of international business and trading companies is being viewed and pursued as one of the major growth industries for this region.

What is also true is that the users of the region's three airports, to include many of our members, often comment on the constraints of existing facilities, and the need for greater and more contiguous domestic and international air service.

When you look at the competition, these concerns are well-founded. New York has 54 international carriers serving its airports; Florida has 33 international airlines, yet the Baltimore-Washington region has only four, while remaining one of the Nation's top international destinations.

Historically, our share of the nation's air business was five percent in 1963; 20 years later, we have only three and a quarter percent of the total. Incidentally, I believe we have more passports per capita than anyplace in the country.

What the region does not have is a lack of airport capacity. We would rank as one of the top in the country. But what is clearly needed, however, is a regional authority with local control, management, and marketing capabilities. Look at the New York Port Authority experience. Prior to its formation, the jurisdictions in the New York area lost money on their airport operations. Since the lease agreements with the jurisdictions and facilities involved, the port authority has made money.

In Dallas-Forth Worth, during the decade following the opening of their regional airport facilities with local control, the economic impacts included a 40-percent increase in the area's workforce.

As this committee and others debate this bill, please bear in mind not only the important assets which BWI, Dulles, and National are to this region, but the potential they would have given local control and management which is both equitable and mindful of regional users.

And I thank you, sir, and I'd be happy to answer any questions.

Senator MATHIAS. Thank you very much, Mr. Hodges. Let me start with Mr. Ikard.

I think there would be very few people who would disagree with the goal of the Washington Board of Trade, that we ought to seek the balanced use of all three airports; and that new growth and passenger travel should be directed to Dulles and to BWI. I think that's almost a consensus statement, which Mr. Creamer and no one else would seriously object to.

But how do you reconcile that with the political proposal that is envisioned for the management of the three airports? That you isolate BWI over on one side, you join National and Dulles on the other side, under a government of five Virginians, three District members, two Marylanders, and one Federal representative. Doesn't that build in a dichotomy, a kind of voting bloc problem that is going to prevent you from achieving the goal of balanced development?

Mr. IKARD. I would think and support the fact that Governor Holton made earlier today, in that it's my understanding that all kinds of different arrangements were considered. And that this one, and the one that's suggested, while not perfect, is the one that probably would best serve the purposes that as you indicated we all agree on.

I view this, and I guess maybe I'm speaking for myself now, but I think it's in line with the board of trade policy, in that this whole concept is a matter of better managing a public facility. I think we would all agree that the improvements that are so essential certainly at National and at Dulles will not be done in a timely fashion under the present arrangement, of appropriations that are necessary, and the inability to get the appropriate financing.

I would think that the development of those facilities would preoccupy the attention of any board of this authority to the point that they would be less inclined to be parochial or try to work one place against the other.

I think, my guess is from having lived in other areas of the country where there were similar competitive forces at work—I grew up in the Fort Worth-Dallas area—that the development of the airport, and I would suggest the same might happen in this area, has brought that whole area together, more than any other single force that's happened in the development.

And I would hope and would suggest that conceivably could be the situation here, or in this region.

Senator MATHIAS. But that's the very thing, I think, that is of concern to Secretary Hellman, who testified this morning, that in Dallas-Forth Worth, you found a common solution to the problem. Here we may codify a solution which prevents common operation, a common interest.

Mr. IKARD. Well, I think if you looked at the—well, when you deal with human beings, anything is possible. But I would suggest that it's to the best interest of everybody involved to cooperate and move forward, and I think that's the attitude that will prevail. And the result would be that it would be a great advantage to the whole region. Now, certainly, if the wrong kind of people are appointed on the authority, which I don't think will happen, and if the wrong kind of people were running BWI, which I don't think will happen, you'd get into practically a civil war. But I think it will go the other way.

Senator MATHIAS. You remember Basil Whitener?

Mr. IKARD. Yes, I think so, yes, sir.

Senator MATHIAS. He had a saying for moments like this, he'd say "just hold still, little fish, while I slit you open." [Laughter.]

Mr. IKARD. Well, I think he used a little more inelegant term than that.

Senator MATHIAS. That was the gist of it. [Laughter.]

"Hold still, little fish, while I slit you open, while I've got you."

This is what I'm concerned about, just hold still and let this whole thing work out. Well, the whole thing may work out with all the assets on one side, or the predominant share of the assets on one side, and not enough consideration about the other side. And the balance is what we all want. I mean, I have no interest in defeating this bill, I have no interest in preventing the transfer on the most generous kind of terms. The Federal Government has transferred facilities on generous terms in many parts of the country, and I hope will continue to do so.

But really, just looking down the road, how are you going to achieve the kind of coordinated development for this area—and I'm glad you brought up the Dallas-Fort Worth example, because that is an example of how things are able to work out. Of course, you had an easier time there. You had one State, and you had two cities, but you had one State.

Mr. IKARD. But it took about 75 years to do it.

Senator MATHIAS. Give us 75 years.

Mr. IKARD. I think one of the problems here—and I agree with everything you've said. I think reasonable people can resolve this, and I think they have. I think Governor Holton has made a great contribution.

Senator MATHIAS. Well, he's an eminently reasonable man. He may have had some unfortunate associates, however. [Laughter.]

Mr. IKARD. But in any event, I think there is something that shouldn't be overlooked here, and I know it isn't from your standpoint, because I know you wouldn't do that. But we have two facilities here, National and Dulles, that are not, particularly National, that are not going to be up to standard, probably aren't now, and I'm not an expert on aviation. And the Congress and the budgetary situation being what it is, understandably, even under the best circumstances, experience dictates it takes a long time. And these kinds of improvements don't really have a very high priority on the national scheme of things.

So I would suggest that there is some urgency about getting on with the development at these two facilities in whatever way it takes.

Senator MATHIAS. I have to defend the Congress a little bit, in the sort of charge that we've been niggardly about funding Dulles and National. The GAO testimony this morning is $712 million.

Mr. IKARD. Senator, I don't mean to suggest—I'm committed completely, and have participated in some of the activities of Congress in my experience, so I am not in any way critical of it. I'm just saying the very nature of the procedures are such that many times, it takes longer to do something than if it were an authority as is suggested here.

Senator MATHIAS. What about Mr. Creamer, what would you do differently?

Mr. CREAMER. I think that price is the central issue. I think the whole concept of everyone operating on a level playing field is the major, main issue, and no attempt has been made at all to set a fair price. No attempt has been made, not that it's been made poorly, but the Commission, by its own report, gave up in setting a price. Said we can't value it, therefore, we'll sell it for, we'll transfer it for whatever the indebtedness is. That obviously has no relationship to the value at all.

Senator MATHIAS. My characterization was not unfair, then, you think, that it was whatever the traffic will bear price?

Mr. CREAMER. What a willing buyer will pay a willing seller. And Maryland has offered double what the Commission has.

Senator MATHIAS. What other changes would you make in this bill if you had the opportunity?

Mr. CREAMER. Well, I think the representation is unfair. I believe in light of all the statistics that we have on use of the airports, that Maryland should have equal representation on any commission. I think that's clear.

But they are really the major issues. The price, the competitiveness, and the makeup of the Commission.

Senator MATHIAS. Mr. Hodges, can you use your position in the middle here to bring these parties closer together?

Mr. HODGES. Well, I'm not so sure the private sector couldn't do it if it was given an opportunity to talk about it. I have sincerely come here to talk about the market, and to stress that I do believe our economic future is based on the regional approach. And anything we can do to foster that.

I am not an expert in any of these complexities of the legislation. It would seem to me, however, that there should be some way that a regional authority, regardless of who owned the three airports—I support the local control of the airports—but I'm not so sure there is not a way of having a super authority that could take a regional view regardless of how they're owned, by the local governments.

Senator MATHIAS. I cannot speak with finality for the rest of the Congress, but as far as this committee is concerned, if you can exercise the wisdom of Solomon, and produce a solution which will improve the proposal that's before us, it would be welcome by this committee; and I suspect it would not be unwelcome even to Governor Holton.

He is giving a sign of assent, let the record show.

Governor HOLTON. I stand behind it verbally as well.

On the matter of representation on the board of directors, it has not been stated here, I don't think it has been overlooked, but it has not been stated here that voting on the board of directors does require a seven vote majority out of the 11 people for approval of the annual budget; or for approval of any bond issues.

The dominance that has been referred to by 5 members out of 11 from Virginia is diluted by that requirement that you've got to have seven votes. That is a key issue.

Also, Senator, I don't mean to quibble with you about that $700 million, but it's been more than paid back, and that's what we're talking about. The cost to the Federal Government for the operations and investment in these two airports from the period of 1940 until they will be transferred will be zero, not $700 million.

Senator **Mathias**. Well, I think we're dealing with two accountants terms. Neither you nor I are accountants.

Governor **Holton**. You and I, I agree, sir; have got some deficiency in our expertise.

But we know that revenues collected and paid into the Federal Treasury, that the Federal Government has been paid that money back.

Senator **Mathias**. But we also know that the concrete was poured, and cost money when it was poured. And that represents value on the land.

Governor **Holton**. Sure, and the interest average over that 45-year period is 5 percent. Sometimes you can borrow money for around two.

Senator **Mathias**. And I think we also recognize that the real estate has an enormous value as bare land.

Governor **Holton**. Absolutely, yes, sir; you and I would like to form a partnership and buy that land if they would let us build condominiums on it. And I believe we could get together very quickly.

Senator **Mathias**. Well, gentlemen, this committee is open to any further suggestions that occur to you on reflection. Mr. Ikard, I don't know whether the Board of Trade has considered the minority report from the Holton Commission, but we commend it for your further consideration.

We may have some questions which we will direct to you in writing, and your answers will be made a part of the record.

[The prepared statements of Messrs. Ikard, Creamer, and Hodges follow:]

PREPARED STATEMENT OF FRANK IKARD

GOOD AFTERNOON, SENATOR MATHIAS, MEMBERS OF THE SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY AND THE DISTRICT OF COLUMBIA. THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE YOU TODAY ON THE METROPOLITAN WASHINGTON AIRPORTS TRANSFER ACT OF 1985. MY NAME IS FRANK IKARD. I AM WITH FINLEY KUMBLE WAGNER HEINE UNDERBERG MANLEY & CASEY, A LAW FIRM LOCATED IN WASHINGTON, D.C. ACCOMPANYING ME IS MICHELE HAGANS OF FORT LINCOLN NEW TOWN CORPORATION.

I AM SPEAKING TODAY ON BEHALF OF THE GREATER WASHINGTON BOARD OF TRADE AS A MEMBER OF THE BOARD'S TRANSPORTATION COORDINATING COMMITTEE AND AS CHAIRMAN OF THE AIRPORTS POLICY TASK FORCE. THE BOARD OF TRADE ACTIVELY PROMOTES AND MARKETS THE REGION NATIONALLY AND INTERNATIONALLY. OUR 1,400 MEMBERS REPRESENT A BROAD RANGE OF BUSINESSES THROUGHOUT THE REGION AND EMPLOY OVER TWO-THIRDS OF THE PRIVATE SECTOR WORK FORCE.

IN 1984 THE BOARD OF TRADE COMMISSIONED THE BUREAU OF SOCIAL SCIENCE RESEARCH TO CONDUCT A REGION-WIDE VOTER ATTITUDE SURVEY ON TRANSPORTATION NEEDS AND PRIORITIES. ON THE BASIS OF THIS SURVEY, THE BOARD ADOPTED A REGIONAL TRANSPORTATION AGENDA. THE AGENDA CALLS FOR THE BALANCED USE OF ALL THREE AIRPORTS: BWI, DULLES AND NATIONAL, AND SPECIFICALLY URGES THAT ALL NEW GROWTH IN PASSENGER TRAVEL BE DIRECTED TO DULLES AND BWI. THE TRANSPORTATION COORDINATING COMMITTEE WAS ESTABLISHED TO IMPLEMENT THE BOARD OF TRADE'S TRANSPORTATION POLICIES. THE

FOCUS OF THE COMMITTEE'S WORK THIS YEAR IS ON ROADS AND BRIDGES, AND ON AIRPORTS.

THE BOARD OF TRADE HAS ADOPTED AN AIRPORTS POLICY THAT SUPPORTS THE TRANSFER OF NATIONAL AND DULLES AIRPORTS TO A SINGLE, INDEPENDENT PUBLIC AUTHORITY. I HAVE BROUGHT COPIES OF THE POLICY FOR YOU TODAY.

WE ARE VERY PLEASED TO HAVE THE OPPORTUNITY TO SUPPORT THE METROPOLITAN WASHINGTON AIRPORTS TRANSFER ACT OF 1985. THIS LEGISLATION IS IMPORTANT TO ECONOMIC GROWTH AND VITALITY OF THE GREATER WASHINGTON REGION AND TO THE DISTRICT OF COLUMBIA'S SELF GOVERNANCE EFFORTS. I WOULD LIKE TO EXPLAIN WHY THE BOARD OF TRADE SUPPORTS THIS LEGISLATION.

HISTORY

THE BOARD OF TRADE HAS BEEN INVOLVED IN AIRPORTS GOING BACK TO 1928 WHEN THE BOARD RECOMMENDED THAT NATIONAL BE LOCATED AT GRAVELY POINT. THIS WAS THE SITE CHOSEN BY FRANKLIN ROOSEVELT. TODAY THE BOARD SUPPORTS A BALANCED AIR TRANSPORTATION SYSTEM FOR THE REGION. THE RESULTS OF THE VOTER ATTITUDE SURVEY HELPED US DEVELOP THIS POSITION. LET ME TALK ABOUT THOSE RESULTS FOR A MOMENT BECAUSE THEY RELATE TO THE BENEFITS OF LOCAL CONTROL OF THE AIRPORTS.

THE ATTITUDE SURVEY WAS CONDUCTED BY THE BUREAU OF SOCIAL

SCIENCE RESEARCH. SLIGHTLY MORE THAN 2,000 HOUSEHOLDS WERE SURVEYED -- 250 INTERVIEWS IN EACH OF THE REGION'S EIGHT MAJOR JURISDICTIONS. WHEN ASKED ABOUT AIRPORTS, THE MAJORITY OF THOSE RESPONDING SUPPORTED MORE FREQUENT FLIGHTS AND THE DEVELOPMENT OF A MIDFIELD TERMINAL AT DULLES AND BETTER PARKING FACILITIES AT NATIONAL. THE BOARD OF TRADE'S ADOPTED TRANSPORTATION AGENDA CALLS FOR AN ADJUSTMENT OF LANDING FEES TO ENCOURAGE GREATER USE OF DULLES AND BUILDING A MID-FIELD TERMINAL. AT NATIONAL, THE BOARD IS URGING ADDITIONAL PARKING AND IMPROVED GROUND TRANSPORTATION BETWEEN TERMINALS AND THE METRO STATION. THESE IMPROVEMENTS ARE EXPENSIVE. THE BOARD OF TRADE SUPPORTS THIS TRANSFER LEGISLATION BECAUSE IT WILL ENSURE THAT THE CAPITAL IMPROVEMENTS ARE MADE AND THAT NATIONAL AND DULLES AIRPORTS CONTINUE TO BE STRONG REGIONAL ASSETS.

NEED FOR LEGISLATION

THE IDEA OF A TRANSFER IS NOT A NEW ONE. IN THE REPORT RELEASED BY THE COMMISSION CHAIRED BY FORMER GOVERNOR LINWOOD HOLTON IN DECEMBER OF 1984, THE COMMISSION NOTES:

> THE GOVERNMENT'S VENTURE IN OPERATING AIR CARRIER AIRPORTS BEGAN WHEN NATIONAL AIRPORT OPENED FOR BUSINESS IN 1941. BY 1948, THE AIRPORT WAS IDENTIFIED AS INAPPROPRIATE FOR OPERATION AS A CONVENTIONAL FEDERAL AGENCY.

IN THE FOLLOWING THIRTY-FIVE YEARS, MANY ATTEMPTS WERE MADE TO REORGANIZE FIRST NATIONAL, AND LATER BOTH NATIONAL AND DULLES. IN THE LATE 1960'S THE ALTERNATIVE OF LOCAL CONTROL WAS CONSIDERED.

ALTHOUGH THE IDEA OF TRANSFER IS NOT NEW, SECRETARY DOLE'S APPROACH TO THE ISSUE IS - IT REFLECTS A RECOGNITION THAT TRANSFER REQUIRES A BROAD CONSENSUS FOR SUCCESS.

STRUCTURE

NOW, I WOULD LIKE TO DISCUSS WHY THE BOARD OF TRADE SUPPORTS FEDERAL DIVESTITURE OF THE TWO AIRPORTS AND WHY IT IS IMPORTANT FOR THE REGION AND THE DISTRICT OF COLUMBIA. FIRST, BOTH AIRPORTS REQUIRE CAPITAL IMPROVEMENTS. FOR NATIONAL THIS MEANS IMPROVED SURFACE TRANSPORTATION, PARKING AND PASSENGER FACILITIES. FOR DULLES, THIS MEANS A MIDFIELD TERMINAL, AND PARKING. FOR THESE IMPROVEMENTS TO BE MADE, DOLLARS ARE NEEDED. CONGRESS IS NOT IN A POSITION TO FINANCE THE IMPROVEMENTS. AS IT NOW STANDS, $12 MILLION IN ANNUAL AIRPORTS' REVENUES MUST BE RETURNED TO THE FEDERAL TREASURY. WHILE EVENTUALLY SOME OF THAT MONEY IS APPLIED TO THE EXISTING CAPITAL DEBT FOR CONSTRUCTION, THE FAA CANNOT TARGET THE FUNDS FOR NEEDED CAPITAL IMPROVEMENTS. HENCE, THERE IS NO INCENTIVE TO ADJUST LANDING FEES ALTHOUGH THE FEES COULD HELP COVER THE COST OF MANY NEEDED IMPROVEMENTS. AN AIRPORTS AUTHORITY WOULD HAVE THE POWER TO ISSUE TAX EXEMPT BONDS IN ORDER TO FINANCE THE MUCH NEEDED IMPROVEMENTS. SECOND, AN AUTHORITY COMPOSED OF REPRESENTATIVES FROM THE AFFECTED JURISDICTIONS WOULD BE PARTICULARLY RESPONSIVE TO LOCAL CONDITIONS AND NEEDS AND THE REQUIREMENTS OF THE AIRLINES. THIRD, IMPROVED AIRPORT FACILITIES WILL ENHANCE REGIONAL COMMERCE AND TOURISM. THE DISTRICT OF COLUMBIA WILL BE A DIRECT BENEFICIARY.

TOURISM RANKS AS THE SECOND LARGEST INDUSTRY IN THE DISTRICT OF COLUMBIA. TOURISM AND TRAVEL-RELATED SERVICES PROVIDE SIGNIFICANT TAX AND EMPLOYMENT BENEFITS FOR THE DISTRICT OF COLUMBIA AND THE REGION. FOR EXAMPLE:

- IN 1984, IN THE DISTRICT ALONE, HOTELS CONTRIBUTED $87 MILLION IN LOCAL TAX REVENUES. THESE HOTELS ARE PATRONIZED BY PERSONS TRAVELING ON BUSINESS AND COMING IN FROM ONE OF THE REGION'S AIRPORTS.

- TOURISM AND TRAVEL-RELATED EMPLOYMENT GENERATED 45,000 JOBS THROUGHOUT THE REGION;

- NATIONAL AND DULLES, COMBINED, GENERATE 10,800 JOBS FOR THE REGION'S RESIDENTS;

- Employment grew by 71% since 1970 in the areas close to Dulles, compared with 11.5% employment growth in the rest of the metropolitan area; and,

- District residents account for 15-20% of the employment at National.

GOVERNING BOARD

The Board of Trade supports a Metropolitan Washington Airports Authority composed of representatives appointed from Virginia, Maryland, the District of Columbia, and by the President of the United States. This kind of representation will achieve a more balanced use of Washington National and Washington Dulles International Airports.

POWERS AND DUTIES OF AUTHORITY

Let me emphasize again that a major benefit of local control and establishing an Airports Authority will be the power to issue bonds to finance capital improvements. For the Airports Authority to effectively operate and manage the airports, we urge that its powers and duties include responsibility for setting nighttime noise standards. The major point of

CONTROVERSY AT WASHINGTON NATIONAL AIRPORT -- THE NOISE LEVEL -- IS NOT AT ALL AFFECTED BY THE NUMBER OF PASSENGERS BEING SERVED BUT BY THE TYPE OF AIRCRAFT AND NUMBER OF OPERATIONS. THEREFORE, WE URGE THAT CONGRESS NOT IMPOSE NIGHTTIME NOISE RESTRICTIONS AS PART OF THE DIVESTITURE LEGISLATION. CHANGES TO THE NIGHTTIME NOISE REGULATIONS SHOULD BE THE RESPONSIBILITY OF THE AIRPORTS AUTHORITY BASED ON THE BEST AND MOST CURRENT AIRCRAFT TECHNOLOGY AVAILABLE CONSISTENT WITH SAFETY CONCERNS.

A RELATED ISSUE IS THE PASSENGER CAP. IF THE AIRPORTS ARE TO BE OPERATED AND MANAGED BY AN AIRPORTS AUTHORITY, DECISIONS REGARDING PASSENGER CAPS SHOULD BE MADE BY THE AIRPORTS AUTHORITY.

THE BOARD OF TRADE ALSO RECOMMENDS THAT THE AIRPORTS AUTHORITY RETAIN THE PRESENT NUMBER OF CARRIER FLIGHTS PER HOUR. WE RECOGNIZE THAT THE APPROPRIATE NUMBER OF OPERATIONS AT WASHINGTON NATIONAL AIRPORT HAS LONG BEEN DEBATED. HOWEVER, MOST PARTIES HAVE FOUND THE CURRENT NUMBER OF OPERATIONS TO BE ACCEPTABLE. IN AN EFFORT, THEREFORE, TO FACILITATE THE TRANSFER AND ENSURE THAT SERVICE IS MAINTAINED TO AS GREAT AN EXTENT AS POSSIBLE, THE LEGISLATION SHOULD PROVIDE THAT, UNLESS REQUIRED FOR REASONS OF SAFETY, THE NUMBER OF OPERATIONS AUTHORIZED BY THE FAA UNDER THE HIGH DENSITY RULE MAY NOT BE RESTRICTED.

FINALLY, A LOCAL AUTHORITY WILL BE BETTER ABLE TO MANAGE THE DIFFICULT TAXI PROBLEMS AT NATIONAL AIRPORT THROUGH MORE STRINGENT LICENSING AND ENFORCEMENT PROCEDURES.

CONCLUSION

THE LEGISLATION BEFORE YOU TODAY REPRESENTS AN IMPORTANT OPPORTUNITY. WE URGE THAT THE SENATE MOVE EXPEDITIOUSLY ON THE METROPOLITAN WASHINGTON AIRPORTS TRANSFER ACT OF 1985.

THE DISTRICT OF COLUMBIA AND THE GREATER WASHINGTON REGION WILL DIRECTLY BENEFIT FROM LOCAL CONTROL OF WASHINGTON NATIONAL AND WASHINGTON DULLES INTERNATIONAL AIRPORTS. LOCAL CONTROL WILL ENSURE THAT BASIC CAPITAL IMPROVEMENTS ARE MADE AND THAT THE AIRPORTS WILL CONTINUE TO BE MAJOR REGIONAL TRANSPORTATION ASSETS. THE AIRPORTS AUTHORITY OPERATION AND MANAGEMENT OF THE AIRPORTS WILL ENSURE APPROPRIATE USE OF THE AIRPORTS AND WILL GUARANTEE THAT WASHINGTON NATIONAL AND WASHINGTON DULLES INTERNATIONAL AIRPORTS WILL CONTINUE TO PROVIDE EMPLOYMENT AND TAX BENEFITS TO THE DISTRICT OF COLUMBIA, THE REGION AND ITS RESIDENTS.

THIS CONCLUDES MY COMMENTS ON THE METROPOLITAN WASHINGTON AIRPORTS TRANSFER ACT OF 1985. THANK YOU SENATOR MATHIAS, AND MEMBERS OF THE SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY AND THE DISTRICT OF COLUMBIA. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

PREPARED STATEMENT OF RONALD E. CREAMER

MY NAME IS RONALD E. CREAMER AND I AM THE MANAGING PARTNER OF THE BALTIMORE LAW FIRM, WEINBERG AND GREEN. AS A MEMBER OF THE BOARD OF DIRECTORS OF THE GREATER BALTIMORE COMMITTEE (GBC) AND PRESIDENT OF ITS PUBLIC POLICY COUNCIL, I AM HERE REPRESENTING THE BUSINESS LEADERSHIP OF METROPOLITAN BALTIMORE. THE GBC--COMPRISED OF OVER 950 MEMBERS--HAS SERVED AS THE INSTITUTIONAL VOICE OF BUSINESS LEADERSHIP IN THE BALTIMORE REGION FOR THE PAST 29 YEARS. AS A MEMBER OF THE BOARD OF DIRECTORS OF THE MARYLAND CHAMBER OF COMMERCE, I AM ALSO HERE REPRESENTING THE MARYLAND CHAMBER'S MEMBERSHIP OF OVER 8,000.

THE GBC PORTFOLIO ENCOMPASSES BOTH PUBLIC POLICY ISSUES AND ECONOMIC DEVELOPMENT ACTIVITIES. I CAN ASSURE THE MEMBERS OF THIS SUBCOMMITTEE THAT THE LEADERSHIP OF BALTIMORE'S BUSINESS COMMUNITY IS VERY CONCERNED BY THE POLICY IMPLICATIONS OF S.1017.

THE GBC AGREES IN PRINCIPLE WITH SECRETARY DOLE THAT THE FEDERAL GOVERNMENT-IN PARTICULAR THE FEDERAL AVIATION ADMINISTRATION--SHOULD DIVEST ITSELF OF OWNERSHIP AT DULLES AND NATIONAL AIRPORTS. THE TIME HAS COME TO END THE FEDERAL ROLE IN OPERATING THESE AIRPORTS. HOWEVER, WHEN THE TRANSFER OF DULLES AND NATIONAL OCCURS, IT IS UP TO CONGRESS TO ENSURE THAT FAIR COMPETITION AMONG THE AIRPORTS IN THE MARYLAND/ WASHINGTON/VIRGINIA REGION CONTINUES AS IN THE PAST. ONE JURISDICTION SHOULD NOT SUFFER BECAUSE OF FAVORITISM TO ANOTHER.

SINCE 1949, THE FEDERAL GOVERNMENT HAS LOOKED FOR A SENSIBLE SOLUTION TO THE DILEMMA OF EFFECTING THE TRANSFER OF DULLES AND NATIONAL TO PARTIES CAPABLE OF INDEPENDENT OPERATION WHILE AT THE SAME TIME DEALING EQUITABLY WITH ALL OF THE REGIONAL INTERESTS.

UNFORTUNATELY, S.1017 IS NOT THE ANSWER. INSTEAD OF PROPOSING TO TRANSFER DULLES AND NATIONAL AT FAIR MARKET VALUE AND MAINTAINING A BALANCED AND EQUITABLE TRANSPORTATION NETWORK FOR THE REGION, THE MEASURE LIQUIDATES VALUABLE FEDERAL ASSETS AT A DISCOUNT PRICE AND TIPS THE DELICATE ECONOMIC BALANCE BETWEEN MARYLAND AND VIRGINIA. INSTEAD OF CREATING AN ALLIANCE AMONG ALL AREA JURISDICTIONS, IT GENERATES DISTRUST.

ECONOMIC DEVELOPMENT BALANCE IS DISTURBED

DESPITE THE GOOD INTENTIONS AND HARD WORK PERFORMED BY THE HOLTON COMMISSION, S.1017 IS HOPELESSLY FLAWED AND PATENTLY UNFAIR TO MARYLAND'S INTERESTS. THE GBC CONCURS WITH THE OBSERVATION IN THE COMMISSION REPORT THAT THE ISSUE TO BE FACED IS NOT WHETHER BOTH FACILITIES SHOULD BE TRANSFERRED FROM FEDERAL CONTROL BUT HOW. TRANSFER LEGISLATION MUST BE UNBIASED IN ITS APPROACH. THE ECONOMIC CONCERNS OF EACH JURISDICTION MUST BE APPRECIATED AND ACCOMMODATED IN THIS LEGISLATION.

VIEWED FROM A BUSINESS PERSPECTIVE, S.1017 SERIOUSLY INTERFERES WITH, INDEED IT COULD DESTROY THE SENSITIVE COMPETITIVE BALANCE BETWEEN MARYLAND AND VIRGINIA BY SELLING VALUABLE, FULLY-DEVELOPED ASSETS TO VIRGINIA AT A FIRE SALE PRICE. TO COMPOUND THE INJUSTICE TO MARYLAND, THOUSANDS OF ACRES OF DEVELOPABLE LAND AT DULLES ARE INCLUDED IN THE SALE PRICE. THUS, THE PROPOSED TRANSFER WOULD PROVIDE AN UNWARRANTED BONANZA TO VIRGINIA'S ECONOMIC DEVELOPMENT EFFORTS. FURTHER, REPRESENTATION IN THE AIRPORTS AUTHORITY'S GOVERNING BOARD IS SO WEIGHTED IN FAVOR OF VIRGINIA AS TO MAKE MARYLAND'S REPRESENTATION VIRTUALLY MEANINGLESS.

UNFAIR COMPETITIVE ADVANTAGE

MARYLAND BUSINESS LEADERS UNDERSTAND THE MEANING OF COMPETITION. WE RECOGNIZE THE IMPORTANCE OF EXPLOITING OUR RESOURCES TO ACHIEVE THE HIGHEST FINANCIAL RETURN. SUCCESSFUL BUSINESS COMPETITION DEMANDS HARD WORK, THE WILLINGNESS TO TAKE RISKS, AND THE ABILITY TO FACE AND ANTICIPATE A CHANGING BUSINESS ENVIRONMENT. BUT FAIR COMPETITION REQUIRES THAT WE COMPETE ON A LEVEL PLAYING FIELD WITH ALL THE OTHER PLAYERS. S.1017 GIVES VIRGINIA UNIQUE ADVANTAGES IN ITS COMPETITION WITH MARYLAND.

LONG AGO, MARYLAND BUSINESS AND POLITICAL LEADERS RECOGNIZED THAT IF OUR ECONOMY WAS TO PROSPER, STATE FINANCIAL COMMITMENT WOULD BE NEEDED TO ASSURE BWI'S SUCCESS IN SERVING THE TRAVELING PUBLIC, BUSINESS AND SHIPPERS.

DURING THE PAST 13 YEARS, THROUGH A COMBINATION OF COMMITMENT, HARD WORK AND INVESTMENT, BALTIMORE-WASHINGTON INTERNATIONAL AIRPORT (BWI) HAS BEEN TRANSFORMED INTO A SUPERB AIRPORT--READY TO MEET THE CHALLENGES OF THE 1980's AND BEYOND. THE STATE PURCHASED THE AIRPORT FOR NEARLY $40 MILLION AND BEGAN A $100 MILLION INVESTMENT PROGRAM TO IMPROVE ITS COMMITMENT TO GROWTH AND THE ECONOMIC WELFARE OF THE REGION. THROUGH THE PAST DECADE, THE GBC SUPPORTED MARYLAND'S INVESTMENT IN AVIATION. OUR LEADERSHIP WAS COMMITTED TO THE PIEDMONT HUB AT BWI FROM ITS INCEPTION. WE WILL CONTINUE TO SUPPORT SIMILAR DEVELOPMENT EFFORTS IN THE FUTURE BECAUSE OF THEIR POSITIVE IMPACT ON OUR STATE ECONOMY.

IT IS IMPORTANT TO REITERATE THAT MARYLAND'S INVESTMENT IN BWI CAME FROM THE STATE'S TRANSPORTATION TRUST FUND AND THUS ULTIMATELY FROM MARYLAND TAXPAYERS. MARYLAND'S INVESTMENT IN BWI WAS NOT SUBSIDIZED BY OTHERS. THE STATE DID NOT SEEK TO BENEFIT FROM THE CASHFLOW GENERATED BY NATIONAL AIRPORT. MARYLAND MADE THE COMMITMENT, TOOK THE RISK AND MOVED FORWARD. MARYLAND BUSINESS LEADERS INSIST THAT OUR STATE'S $150 MILLION DEVELOPMENT EFFORTS AT BWI BE RECOGNIZED AND ACKNOWLEDGED IN ANY LEGISLATION CONGRESS CONSIDERS.

THE STATE'S INVESTMENT IN BWI HAS BEGUN TO PAY HANDSOME DIVIDENDS. PIEDMONT AIRLINES CAPITALIZED ON THE OPPORTUNITIES RESULTING FROM AIRLINE DEREGULATION AND ESTABLISHED ITS HUB OPERATIONS AT BWI IN 1983. SEVENTY-EIGHT PIEDMONT FLIGHTS NOW ORIGINATE EACH DAY FROM BWI, SERVING MARKETS IN 26 STATES AND THE DISTRICT OF COLUMBIA. IN SHORT, MARYLAND'S INVESTMENT IN BWI HAS ENCOURAGED OTHERS TO STEP UP TO THE PLATE.

DULLES CAN STAND ALONE

DURING ITS FORMATIVE YEARS, DULLES DESERVED AND RECEIVED SPECIAL FEDERAL SUPPORT. AFTER A GENERATION OF ASSISTANCE, HOWEVER, THIS FACILITY HAS FINALLY COME INTO ITS OWN.

DULLES TRAFFIC IS GROWING. DURING 1984, DULLES REGISTERED SIGNIFICANT GAINS IN BOTH COMMERCIAL PASSENGER AND AIR FREIGHT CATEGORIES. IN ADDITION, PAN AM RECENTLY ANNOUNCED IT WOULD ESTABLISH HUB OPERATIONS AT DULLES. DESPITE WHAT SOME HAVE SUGGESTED, DULLES CAN COMPETE VERY

WELL ON ITS OWN, FINDING ITS NICHE IN THE REGIONAL AVIATION MARKET. THE MAMMOTH DEVELOPMENT PLAN UNVEILED RECENTLY BY XEROX COUPLED WITH VIRGINIA'S CENTER FOR INNOVATIVE TECHNOLOGY SURELY WILL ATTRACT THOUSANDS OF NEW PASSENGERS TO DULLES AS THE REGIONAL AIRPORT OF CONVENIENCE.

HOWEVER, S.1017 TREATS DULLES AND NATIONAL AS A SINGLE ENTITY, THEREBY ALLOWING NATIONAL'S $19 MILLION ANNUAL CASHFLOW TO SUBSIDIZE DULLES. LONG AGO, BWI RECOGNIZED THAT IT MUST DEVELOP ITS OWN MARKETS IF IT WAS TO SUCCEED. STATE LEADERS PROVIDED OPERATIONAL AND CAPITAL DOLLARS TO MEET THAT OBJECTIVE. IF DULLES IS TO CONTINUE TO PROSPER, IT MUST DO THE SAME. CONGRESS MUST RECOGNIZE THE EXTENT OF MARYLAND'S FINANCIAL COMMITMENT TO ENSURE BWI'S SUCCESS. DULLES AND THE COMMONWEALTH OF VIRGINIA MUST BE HELD TO THE SAME STANDARD.

SALE PRICE

IN AN ERA OF DEFICIT-PRODUCING FEDERAL BUDGETS, IT IS INCONCEIVABLE THAT THE FEDERAL GOVERNMENT WOULD BE ALLOWED TO LIQUIDATE VALUABLE ASSETS AT A BARGAIN PRICE. PROPONENTS OF S.1017 WOULD LEAD US TO BELIEVE THE $47 MILLION TRANSFER PRICE REPRESENTS A FAIR ESTIMATION OF WORTH FOR DULLES AND NATIONAL.

THE GBC CONTENDS THAT NOTHING COULD BE FURTHER FROM THE TRUTH. IT IS IMPOSSIBLE TO RECONCILE THE $47 MILLION TRANSFER PRICE FOR THE TWO AIRPORTS WITH ANY REALISTIC APPRAISAL OF VALUE. ACCORDING TO THE GRACE COMMISSION, FOR EXAMPLE, THE TRUE VALUE IS CLOSE TO $400 MILLION.

BY PROPOSING TO SELL THE AIRPORTS AT AN UNDERVALUED PRICE, THE SECRETARY IS WILLING TO ACCEPT A MERE 15 CENTS ON THE DOLLAR FOR DULLES AND NATIONAL. IN SHORT, THE ASSET PRICE ESTABLISHED IN S.1017 BEARS NO RELATION TO FAIR MARKET VALUE AND IS CERTAINLY NOT IN THE BEST INTEREST OF THE AMERICAN TAXPAYER.

THE GBC APPLAUDS THE RECENT INITIATIVE OF GOVERNOR HUGHES AND MDOT SECRETARY HELLMANN TO HIGHLIGHT THE PRICE ISSUE BY MAKING A $94 MILLION COUNTER-OFFER TO SECRETARY DOLE. THE HUGHES PROPOSAL--EVEN IF OFFERED TONGUE IN CHEEK--IS AN IMPORTANT FIRST STEP IN ESTABLISHING REALISTIC ASSET VALUE. WE ALSO COMMEND SENATOR MATHIAS FOR REQUESTING THAT THE GENERAL ACCOUNTING OFFICE (GAO) STUDY PRICING OPTIONS BASED ON VALUE. THE GAO'S IMPARTIAL ANALYSIS SHOULD SHED CONSIDERABLE LIGHT ON THIS ISSUE.

THE HOLTON COMMISSION'S RECOMMENDATION TO SECRETARY DOLE THAT DULLES AND NATIONAL BE TRANSFERRED FOR THE HYPOTHETICAL INDEBTEDNESS INCURRED BY BOTH FACILITIES--$47 MILLION--IS TANTAMOUNT TO SELLING TWO FULLY DEVELOPED BUSINESSES FOR THE SUM OF THEIR OUTSTANDING DEBT. THE $47 MILLION SALE PRICE DOES NOT REALISTICALLY REFLECT THE FEDERAL CAPITAL INVESTMENT IN EACH FACILITY, THE ABILITY TO GENERATE POSITIVE CASHFLOW OR OTHER TANGIBLE ASSETS. ANY ORDINARY BUSINESS TRANSACTION BETWEEN A WILLING BUYER AND A WILLING SELLER SURELY WOULD TAKE THESE CONSIDERATIONS INTO ACCOUNT. ABSENT A FAIR EVALUATION OF ASSETS AND INCOME STREAM, THE TRANSFER MAKES VERY POOR BUSINESS SENSE FOR THE FEDERAL TREASURY AND IS NOT IN THE NATIONAL INTEREST.

DEVELOPABLE ACREAGE AT DULLES

S.1017 NOT ONLY PROPOSES TO TRANSFER TWO AIRPORTS FOR ABOUT ONE-SEVENTH OF THEIR VALUE BUT ALSO PROPOSES TO CONVEY A BONUS OF SEVERAL THOUSAND ACRES OF DEVELOPABLE LAND TO THE INDEPENDENT AIRPORTS AUTHORITY. THIS WINDFALL WOULD SERVE AS AN ATTRACTION FOR AVIATION AND NON-AVIATION DEVELOPMENT ALIKE.

INDEED, THIS ASPECT OF THE TRANSFER IS PARTICULARLY UNFAIR AND UNWELCOME TO MARYLAND INTERESTS AND UNDERSCORES THE MEAGER PRICE SET BY THE ADMINISTRATION.

RELIABLE ESTIMATES INDICATE THERE ARE 2,500 DEVELOPABLE ACRES AT DULLES. USING A CONSERVATIVE $100 THOUSAND PER ACRE AS VALUE, THE DEVELOPABLE LAND ALONE IS WORTH $250 MILLION--FULLY 500 PERCENT ABOVE THE ADMINISTRATION'S ASKING PRICE. FOR EXAMPLE, WHEN A BUSINESS IS SOLD, THE ASKING PRICE IS GENERALLY DETERMINED BY WEIGHING THREE ITEMS: NON-INCOME GENERATING ASSETS, INCOME GENERATING ASSETS AND CASHFLOW. THE 1984 DOW JONES INDUSTRIAL AVERAGE INDICATES AN AVERAGE EARNINGS MULTIPLE OF 11.4. WHEN MULTIPLIED BY THE POSITIVE CASHFLOW OF DULLES AND NATIONAL (11.4 x $19 MILLION = $216.6 MILLION) AND ADDED TO THE CONSERVATIVE VALUE OF THE 2,500 ACRES OF DULLES ($100 THOUSAND x 2500 = $250 MILLION) THE VALUE FOR DULLES AND NATIONAL CLIMBS TO $466.6 MILLION. BY ANY ANALYSIS, CONGRESS MUST SET AN APPROPRIATE AND EQUITABLE VALUE ON THESE TWO FACILITIES.

GOVERANCE OF BOARD

AS YOU KNOW, THE LEGISLATION CALLS FOR THE CREATION OF AN ELEVEN MEMBER BOARD TO DEVELOP POLICY FOR THE TWO AIRPORTS. VIRGINIA AND THE DISTRICT OF COLUMBIA ARE ALLOWED FIVE AND THREE REPRESENTATIVES RESPECTIVELY. MARYLAND WOULD BE REPRESENTED BY ONLY TWO MEMBERS.

THE GBC BELIEVES THAT MARYLAND WOULD BE INADEQUATELY REPRESENTED UNDER S.1017. MARYLAND RESIDENTS COMPRISE ALMOST 40 PERCENT OF THE WASHINGTON SMSA. IN ADDITION, A RECENT SURVEY OF AIRPORT USERS BY THE WASHINGTON COUNCIL OF GOVERNMENTS CLEARLY DEMONSTRATES THAT MARYLAND RESIDENTS HAVE A VESTED INTEREST IN WASHINGTON NATIONAL. FOURTEEN PERCENT OF NATIONAL'S PASSENGERS BEGAN THEIR TRIPS IN MONTGOMERY COUNTY, THE SAME PERCENTAGE OF TRAFFIC ORIGINATED IN VIRGINIA'S FAIRFAX COUNTY.

THUS, MARYLAND RESIDENTS HAVE A STAKE EQUAL TO VIRGINIA'S IN THE DEVELOPMENT OF POLICY FOR WASHINGTON NATIONAL, THE AIRPORT WHICH OFFERS UNIQUE SERVICE TO THE NATION'S CAPITAL. HOWEVER, MARYLAND'S REPRESENTATION ON THE AIRPORTS AUTHORITY BOARD DOES NOT REFLECT MARYLAND RESIDENT'S USAGE. THE MAKEUP OF THE BOARD SHOULD BE CHANGED TO ACCOMMODATE MARYLAND'S INTERESTS AND CONCERNS.

GBC RECOMMENDATIONS

VIEWED FROM A BUSINESS PERSPECTIVE, THE GBC FINDS THAT S.1017 IS SERIOUSLY FLAWED. IT DOES NOT ADDRESS MARYLAND CONCERNS OR REFLECT THE NATIONAL INTEREST. INSTEAD OF BEING A PRESCRIPTION FOR REGIONAL COOPERATION, S.1017 EXACERBATES THE DIVISIVENESS AMONG JURISDICTIONS.

THE GBC STRONGLY URGES THE SENATE TO PROCEED CAUTIOUSLY. LITTLE WOULD BE GAINED BY JOINING THE PROPONENTS' STAMPEDE TO ENACT THIS MEASURE. MARYLAND HAS REGISTERED LEGITIMATE CONCERNS THAT NEED TO BE ADDRESSED. LET ME CONCLUDE BY OFFERING THE SUBCOMMITTEE SOME RECOMMENDATIONS TO REFLECT UPON:

- MARYLAND, VIRGINIA AND THE DISTRICT OF COLUMBIA FORM AN INTERRELATED ECONOMIC REGION. ANY RESOLUTION OF ECONOMIC ISSUES WARRANTS A RATIONAL, COOPERATIVE APPROACH TO MAINTAIN THE CURRENT DELICATE BALANCE.

- PRICE MUST REFLECT VALUE. IT MUST TAKE INTO ACCOUNT BOTH INCOME AND NON-INCOME GENERATING ASSETS AND POSITIVE CASHFLOW.

- THE DEVELOPABLE LAND AT DULLES REPRESENTS A WINDFALL FOR NON-AVIATION RELATED PURPOSES. THE PRICE ESTABLISHED FOR TRANSFER OF THESE ASSETS FROM FEDERAL CONTROL MUST ACCOUNT FOR THIS ACREAGE.

- BECAUSE OF ITS UNIQUE NATURE AND ITS ABILITY TO SERVE A PREMIUM MARKET, WASHINGTON NATIONAL SHOULD BE TREATED AS A SEPARATE AND DISTINCT ENTITY. DULLES AND BWI ARE STATE RESPONSIBILITIES AND ARE ABLE TO COMPETE HEAD-TO-HEAD.

THAT COMPLETES MY FORMAL REMARKS. ON BEHALF OF THE GREATER BALTIMORE COMMITTEE, I APPRECIATE YOUR ATTENTIVENESS AND STAND READY TO ANSWER QUESTIONS.

PREPARED STATEMENT OF LUTHER H. HODGES, JR.

Good morning, Senator Mathias, Members of the Subcommittee on Governmental Efficiency and the District of Columbia. I am Luther Hodges, Chairman of the National Bank of Washington, and Chairman of the Washington/Baltimore Regional Association, and I am pleased to be here today before this hearing on the proposed transfer of the Washington Metropolitan Airports.

Mr. Chairman, over 5 years ago, the business leadership of the metropolitan Baltimore and Washington areas formed an economic development alliance, based upon the recognition of the increasing ties between these market centers. Since that time, economic, demographic and market forces have continued to increase, and the reality of the bi-metropolitan market of the Baltimore-Washington Common Market has brought new potential to the region's economic development interests.

Currently, the Board of Directors of the Washington/Baltimore Regional Association is comprised of 78 members of the business communities of Baltimore and Washington and 17 contiguous counties of Maryland and Northern Virginia which constitutes this bi-metropolitan region.

These business leaders view this regional market as investors, transcending jurisdiction boundaries, and recognizing the advantages of the combined market and its aggregate resources. The perspective which we provide to business, via our research and marketing efforts, is one which the Members of this Committee should consider in your deliberations of the proposed transfer of the Washington Metropolitan Airports.

Our research highlights the fact that the Baltimore and Washington areas comprises the 5th largest market in the country, with the highest median household income and one of the most highly educated workforces. It has also developed as an extremely accessible market, with a highly sophisticated and comprehensive transportation system. Besides the three major aiports --BWI, Dulles and National -- which are of prime concern to this Committee, the two circumferential beltways - 19 miles apart, 9 Interstates, 5 major railroads, the Port of Baltimore, and the 2 modern subway systems, enable the resident population to easily travel both within and outside the region.

The facts concerning the economic, demographic and market trends at work in the Baltimore-Washington region are indisputable. In January of this year, the

Chief Statistician of the Office of Management and Budget noted in speaking to W/BRA's Executive Committee that " there is no question in the minds of demographers and geographers -- that the Baltimore-Washington area are moving towards qualification as a Consolidated Metropolitan Statistical Area." When the Census was polled in 1980, 82.5% of the workers (16 years or older) who lived in, but worked outside of the Baltimore SMSA, worked within the Washington SMSA. Conversely, 52% of the workers (16 years or older) who lived in, but worked outside of the Washington metroplitan area, worked within the Baltimore metro area.

This exchange between the work force and residents of this region is important when you consider the use of the region's facilities by its residents and business travelers. In the case of the airports, not only does the Official Airlines Guide's listing show carrier schedules for BWI, Dulles and National together, but in the case of BWI alone, 34% of its business comes from users in the Washington area.

The Baltimore-Washington Common Market represents the 6th busiest air market in the United States in terms of air carrier departures. During 1984 alone, the three airports handled over 1,900 daily flights, 25 million passengers, and 275 million pounds of freight, and provided direct employment for 14,500 people.

The Baltimore-Washingtn region is also the 2nd greatest destination point for international travelers, and the presence of international business and trading companies is being viewed and pursued as one of the major growth industries for this region.

But what is also true, is that the users of the region's three aiports, to include many of our members often comment on the constraints of existing facilities, and the need for greater and more contigous domestics and international air service.

When you look at the competition, these concerns become well founded. New York has 54 international carriers servicing its airports, Florida has 33 international airlines, yet the Baltimore-Washington region has only 4 -- while remaining one of the nation's top international destinations. Historically, our share of the nation's air business was 5% in 1963, and twenty years later, we had only 3 1/4% of the total.

What this region does not have, is a lack of airport capacity. Jim Wilding, Director of the Metropolitan Washington Airports, commented several months ago, that the Baltimore-Washington region's airport development potential would have to rank as one of the top in the country

What is clearly needed, however, is a regional authority with local control, management and marketing capabilities. Look at the New York Port Authority experience; prior to its formation, the jurisdictions in the New York area lost money on their airport operations. Since the lease agreements with the jurisdictions and facilities involved, the Port Authority has made money. In Dallas-Ft. Worth, during the decade following the opening of their regional airport facilities with local control, the economic impacts included a 40% increase in the area's work force.

As this Committee debates this bill, bear in mind not only the important assets which BWI, Dulles and National Airports are to this region, but the potential which they would have given local control and management which is both equitable and mindful of the regional users. Also bear in mind, the positive experiences which the Washington/Baltimore Regional Association has had in addressing the nature of the market and the individual interests involved. Through our Association and its operations, the interests and economic development priorities of the Baltimore metropolitan business community have been balanced, complemented and strengthened by those interests expressed through our membership in the Washington area.

At the same time, the local jurisdictional economic development interests, which operate in a competitive market place, have come to recognize the diversity and benefits of the bi-metropolitan market and its potential.

I hope that the market perspective provided by W/BRA can be helpful to you and your colleagues. In closing, I would like to ask that some of W/BRA's relevant materials on the Baltimore-Washington Common Market be made a part of the record of this hearing. In addition, our membership , which includes the leadership of the key business groups throughout the Baltimore-Washington region, would be pleased to be of additional assistance.

Thank you.

Senator MATHIAS. Thank you very much for being here.

[Whereupon, at 12:45 p.m., the committee adjourned subject to the call of the chair.]

TESTIMONY SUBMITTED FOR THE RECORD

ALPHABETICAL LISTING

AOPA
AIRCRAFT OWNERS AND PILOTS ASSOCIATION
421 Aviation Way, Frederick, MD 21701 / TEL: (301) 695-2000 / TELEX 89-3445

STATEMENT OF JOHN L. BAKER, PRESIDENT

AIRCRAFT OWNERS AND PILOTS ASSOCIATION

BEFORE THE HONORABLE CHARLES McC. MATHIAS, JR., CHAIRMAN

SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY AND
THE DISTRICT OF COLUMBIA

COMMITTEE ON GOVERNMENT AFFAIRS

UNITED STATES SENATE

JULY 10, 1985

REGARDING S.1017, A BILL TO PROVIDE FOR THE TRANSFER OF THE METROPOLITAN WASHINGTON AIRPORTS TO AN INDEPENDENT AIRPORT AUTHORITY

The Aircraft Owners and Pilots Association (AOPA) represents the aviation interests of 265,000 individuals who own and/or fly general aviation aircraft for business and personal purposes. Our headquarters are located in Frederick, Maryland. We appreciate the opportunity to present our views on S.1017 and respond to the specific concerns of the Committee.

AOPA was established as a not for profit corporation on May 12, 1939, in the State of New Jersey for the following purposes: to promote, protect and represent the interests of its members in aviation matters; to further the art, science and industry of aeronautics and pursuit of flying; and to promote the economy, safety and popularity of flight in aircraft and the use of aircraft. We estimate that thousands of our members directly use Washington National Airport, Baltimore-Washington International Airport and Washington Dulles International Airport on an annual basis. Thousands of others in the mid-Atlantic area are directly impacted by the operations of these airports and, because aviation epitomizes interstate commerce, all of our members have some interest in S.1017.

Historically, AOPA has not supported one form of airport proprietorship over another. Whether an airport is owned and operated by a municipality, county, state, airport authority or the Federal government, our major concerns have been and continue to be the quality of service and accommodations provided for the support of general aviation activities. We believe that any airport proprietor must recognize the importance of general aviation and provide for fair and reasonable access to airports and the communities they serve. Unfortunately, this would not be the case under the provisions of S.1017. Its conveyance of the Washington Metropolitan Airports to a regional authority will set the stage for imposition of economic penalties on general aviation users at both airports. The Port Authority of New York and New Jersey imposes a peak hour $100 surcharge on general aviation aircraft at two of the three airports it operates. The Massachusetts Port Authority attempted to impose a $50 landing fee on general aviation at Logan Airport. Denver and Miami are other examples, and we have no reason to expect a more benevolent attitude on the part of this proposed authority.

BONDED INDEBTEDNESS

We share the Committee's concern about the indebtedness to be paid by the airports authority to the United States Treasury. It may interest the Committee to review the FY1972 Department of Transportation budget request. The Administration was then asking $105 million for Washington National and this association offered to buy the airport. We need not review here the Grace Commission's findings, but we are amazed by the valuation arrived at by the Secretary of Transportation.

In testimony before the Senate Commerce Committee on June 26, 1985, the Secretary defended the $47 million lease price, saying that it would be "unfair" to make airport users pay more in user fees if the lease price were higher. On budget grounds, she opposed S.1110, which would make funds available from the user-supported Airport and Airway Trust Fund, yet she seemed anxious to see user fees increase to finance tax-exempt bonds which might be used for airport projects and stated, "User fees will be higher," under S.1017. In our opinion, the Secretary never adequately addressed the tax expenditure aspect of bond issuances nor the fact that the President's tax reform proposal would specifically disallow the issuance of tax-exempt revenue bonds for airport projects.

SLOTS, FEES AND CURFEWS

The Washington National perimeter and passenger cap do not directly apply to general aviation operations at that airport, but slot rules, noise rules and landing fees do. S.1017 would by statute permit modifications to air carrier slots only for safety purposes, but no such assurance is offered to general aviation. The Federal Aviation Administration could, at the behest of the authority and airlines, modify 14CFR93 to limit general aviation access to Washington National Airport.

The present night-time noise rules do not adversely impact many general aviation operations at National. Most propeller-driven aircraft meet the applicable noise standards and may operate during late night hours. From our perspective, one of the few salient provisions of S.1017 is that part of Section 7(a)(4) which would prohibit modification of the curfew. However, the Secretary informed the Commerce Committee that she will support an amendment to remove this restriction from S.1017 and permit the authority to set its own curfew. This will lead to an effort to end all night operations at National unless the authority can be blocked by legal action. AOPA has been involved in costly, lengthy, but successful litigation to overturn curfews at White Plains and Republic Airports in New York and at other airports in California. We do not relish the idea of a protracted legal battle over Washington National Airport but would, based on the outcome at White Plains and in behalf of our membership, sue to keep the airport open at night for aircraft which meet the existing night-time rules.

Increases in general aviation landing fees at both National and Dulles are of great concern to us. Our members have paid taxes into the Airport and Airway Trust Fund as general aviation operators and as airline customers, yet none of these funds have ever been returned to either of these airports through Airport Improvement Grants. In addition to these unreturned Federal excise taxes, users of these airports have still paid in enough in revenues to provide for the Federal government a substantial annual operating profit on the combined facilities. The Secretary's proposal would constitute triple taxation of airport users: (1) Airport and Airway Trust Fund Revenues already contributed; (2) fees which have already been deposited in the Treasury; and (3) new and higher fees to pay for bond retirement.

FLIGHTS DISBURSEMENT AND SERVICE TO THE PUBLIC

The market share of the three area airports and competition for air carriers is of only indirect concern to AOPA. However, we suspect that the airports authority may, in its zeal to promote air carrier use of Dulles, attempt to restrict general aviation operations at that airport. In response, the State of Maryland might try to do the same at Baltimore-Washington. The State of Maryland and BWI's users have invested considerable funds into the new runway 15L/33R and the new general aviation service area on the north side of the airport. We would hate to see the State of Maryland and the proposed airports authority get into a contest to see who could attract more carriers by promising to restrict general aviation. This is not a strictly hypothetical argument because this is precisely what Newark Airport has done to try to lure flights away from LaGuardia and Kennedy, even though all three of those airports are operated by the same authority.

We define the term "air travelling public" in its broadest terms so as to include the millions of passenger miles logged in general aviation aircraft every year. If general aviation operations are restricted or limited at these airports, the level of service available to one segment of the travelling public will be seriously impacted.

AOPA'S ROLE AND EXPERTISE

The Committee should know that the Secretary did not invite AOPA nor anyone representing a broad cross-section of general aviation users to join the Holton Commission. Only the corporate aircraft sector of general aviation was represented. However, should S.1017 or similar legislation be enacted, AOPA would welcome the opportunity to work with the airports authority. We have a staff of some 200 individuals who work to represent our membership. Our professional staff includes individuals with extensive backgrounds in government and industry.

COMPOSITION AND POWERS OF THE AIRPORTS AUTHORITY

The composition of the authority as it relates to the balance between the State of Maryland, the Commonwealth of Virginia and the District of Columbia is of little concern to us; however, the potentially great power of the proposed authority to discriminate against general aviation concerns us greatly. If S.1017 is to be enacted, we recommend that it be amended as follows:

(1) Freeze parking and landing fees for general aviation at their July 1, 1985, levels. Any increases must be based on equivalent percentage increases in air carrier landing and gate or mobile lounge fees or the Consumer Price Index, whichever is lower.

(2) Prohibit any changes to 14CFR93 which would limit or restrict general aviation access to Washington National under instrument flight rules. Visual flight rule general aviation operations should continue at National without the need for arrival or departure reservations. Prohibit any application of 14CFR93 to any general aviation operation at Dulles.

(3) The Commonwealth of Virginia and its municipalities and counties should be prohibited from imposing additional taxes on aviation fuels and lubricants, based on the Act of October 31, 1945, establishing a boundary line between the District of Columbia and the Commonwealth of Virginia.

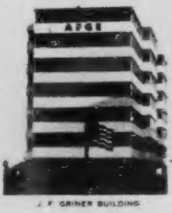
(4) The Commonwealth of Virginia and its municipalities and counties should continue to be prohibited from imposing personal property taxes or other ad valorem taxes on any aircraft parked or hangared at National Airport.

(5) A commitment must be obtained from the authority to provide improved facilities for general aviation at Dulles International Airport. This commitment should include completion of the long-planned west ramp and an additional shorter runway for the support of general aviation at the airport.

SUMMARY

While the Federal Aviation Administration has been an imperfect landlord, it has at least been consistent and predictable. It is imperative that the Congress set strong and clear guidelines for the administration of these airports. From the general aviation perspective, the track records of airport authorities in major metropolitan areas are not good. Your constituents, many of whom are our members, are entitled to have access to their national capital and no local commission ought to be in place which will allow local interests to outweigh national interests. That, unfortunately, is what we see coming under S.1017. It should be modified substantially or replaced by S.1110.

Thank you for the opportunity to present our views.



J. F. GRINER BUILDING

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES
AFFILIATED WITH THE AFL-CIO

KENNETH T. BLAYLOCK, NATIONAL PRESIDENT
JOHN N. STURDIVANT, EXECUTIVE VICE PRESIDENT
NICHOLAS J. NOLAN, NATIONAL SEC. TREAS.

DONALD M. MacINTYRE
NATIONAL VICE PRESIDENT
14TH DISTRICT
[illegible] NEW HAMPSHIRE AVENUE
HYATTSVILLE, MD [illegible]

IN REPLY PLEASE REFER TO:

September 6, 1985

14mp/L-1118

The Honorable Charles McC. Mathias, Jr.
United States Senator
Committee on Governmental Affairs
Subcommittee on Governmental Efficiency
and the District of Columbia
Senate Office Building
Washington, D. C. 20510

Dear Senator Mathias:

I have received a copy of a letter to you of August 28, 1985 from the President of AFGE Local 2303 relative to legislation calling for the transfer of Dulles and National Airports to an independent authority. President Cordell's letter was in reply to an inquiry from your office.

The Washington National Airport comes under my jurisdiction. We represent the maintenance and police force there. We share the concerns expressed to you in the letter of August 28th from President Cordell.

We cannot support legislation which limits the scope of collective bargaining for organized employees. Congress and the Administration set the pay and benefit package for federal employees, but if an independent authority asumes jurisdiction for the two airports, negotiations with labor organizations should not be limited to provisions applicable to the federal government. (See Section 6, (9) of S. 1017.) The right to bargain should be the same as it is at any other private airport, as provided for under federal labor laws.

We appreciate your interest and concern in this matter.

Sincerely,

55'/1

Donald M. MacIntyre

Donald M. MacIntyre
National Vice President
AFGE District 14

American Federation of Government Employees
Lodge 2303 Dulles International Airport
Box 17052
Washington, D.C. 20041

RECEIVED SEP 3 [illegible]

August 28, 1985

The Honorable Charles McC. Mathias, Jr.
United States Senator
Committee on Governmental Affairs
Subcommittee on Governmental Efficiency and the
District of Columbia
Senate Office Building
Washington, D. C. 20510

Dear Senator Mathias:

Thank you for your letter of July 23, 1985, requesting AFGE Local 2303's views on S-1017, a bill to transfer the Metropolitan Airports (National and Dulles) to an independent authority.

AFGE Local 2303 is one of the nearly 1,500 locals comprising the Federation, which was founded in 1932. Our purpose is stated in the Preamble of our National Constitution -- it is:

> "For the purpose of promoting unity of action in all matters affecting the mutual interests of government civilian employees in general, all other persons providing their personal service indirectly to the United States government and for the improvement of Government service."

We represent approximately 200 employees at Dulles International Airport; 160 are "wage grade", or craft maintenance workers. Their jobs are to maintain the buildings and mechanical engineering equipment.

The only thing we are not responsible for is aircraft maintenance and control room equipment. 40 of the employees are General Schedule, or "GS" employees, who serve as the police force.

You asked that I address five areas -- these five areas are listed below with the matters pertaining to our testimony following each area:

"-- the extent and nature of consultation by the Metropolitan Washington Airports with its employees concerning this bill."

We have never been formally consulted by management on this proposal as the exclusive bargaining agent for the employees. Of course, informal communications and gossip are prevalent about the content of this legislation.

"-- the status of the unfunded pension liability of the Metropolitan Washington Airports for its airport employees and the proposed transfer of this liability to the new regional authority."

We are not so much concerned about the unfunded liability as we are about protecting the benefits of current employees of Dulles and future employees of the commission.

"-- the two-year job security provision."

It does provide job security for the next 2 years -- after that, it is not clear to us about the status of our pay, our annual leave, our sick leave, our seniority, our retention rights, and our transfer rights to other agencies.

"-- anticipated changes in labor-management relations as a result of regional control."

The bill should be changed to grant the commission employees the full collective bargaining rights enjoyed by private sector workers under the National Labor Relations Act.

"-- other airport employee benefits, employment contracts, rights, and responsibilities which may be affected by the proposed transfer."

There are no other airport employee benefits that we currently receive; there are no employment contracts. We do have the right to an annual physical as well as clothing and uniforms, which may be jeopardized if we cannot collectively bargain for them.

Since this legislation proposes to restrict commission employee bargaining rights to that of the Civil Service Reform Act, and since there is no mechanism in the legislation to adjust pay, it is not clear how pay and other benefits would be adjusted to reflect the prevailing rate. There is nothing to prevent the commission from, in fact, lowering the pay of the commission workers in the third year of its life.

I will be contacting our National Office to alert them to this situation so that they may be available to advocate for the employees of the National Airport as well.

Senator, I hope you will see that this bill is discussed in the most thorough of manners, both in committee and on the Senate floor, because most of the employees at Dulles have spent a majority of their adult working life at this facility, and it would be a shame to jeopardize their investment in the system.

Thank you very much.

Sincerely,

Charles W. Cordell

Charles W. Cordell
President, Local 2303, AFGE

CWC/

TESTIMONY FOR SENATE SUB-COMMITTEE ON GOVERNMENTAL EFFICIENCY AND THE DISTRICT OF COLUMBIA

Bill S. 1017, July 10, 1985

J. Hugh Nichols, Howard County, Maryland
Executive and Chair, Regional Planning Council

The Baltimore Regional Planning Council is a metropolitan planning body established by the General Assembly of Maryland in 1963. It is composed of the jurisdictions of Baltimore City, Anne Arundel, Baltimore, Carroll, Harford, and Howard Counties which constitute the Baltimore Metropolitan Area and contain approximately 51% of Maryland's population. The Regional Planning Council, as the policy body of the organization, is composed of the chief elected officials, executive and legislative, of the six jurisdictions, as well as a member of the State Senate and the House of Delegates. Representatives of the Planning Boards of each of the member jurisdictions, two members-at-large appointed by the Governor, and a representative of the municipalities in the Region are also voting members. The Secretaries of four major State Executive Departments also serve as non-voting members.

The purpose of the Council is to provide analyses and research for the Region as an entity and to develop and adopt, periodically, a General Development Plan expressing the findings of its research in such areas as land use, transportation, economic development, housing, and environment. This Plan and its recommendations are to be used as a guide by the member local jurisdictions in preparing their own plans and programs. The Council also acts as the Metropolitan Planning Organization for transportation planning in concern with the Maryland Department of Transportation. The Regional Planning Council has had a long history of involvement with the development, expansion, and use of the Baltimore-Washington International Airport, not only as a major element in the transportation systems of the Baltimore Region, but with the vital role that BWI plays in the economic structure of the Region. Our interest in Washington National and Dulles International Airports stems from the fact that all three Airports together serve the air transportation needs of the Baltimore and Washington Metropolitan Areas.

The Regional Planning Council has a number of serious concerns with the legislation (S. 1017) which is the subject of today's hearing because the proposed legislation fails to recognize BWI as the third major Airport serving the Baltimore-Washington Metropolitan Area and, in fact, has the potential to have a ruinous effect on BWI's future. The legislation is simply not in BWI's or the State of Maryland's best interests because it proposes the transfer of the two Washington Airports to a local Authority on extremely generous financial terms, immediately placing BWI as a competitive disadvantage, with the Authority membership heavily weighted in Virginia's favor and with inadequate representation for Maryland's interests.

The proposed transfer is not even in the best interest of the federal government. The airport facilities would be transferred to the Authority for the payment of the remaining federal indebtedness of $47 million dollars, to be spread over 35 years, a give-away of valuable federal properties. While the U. S. Government will be held harmless in terms of its initial investment, we do not understand the rationale which led to the establishment of that fact as the basis for the transfer price. The two airport facilities have been valued by the Grace Commission in the range of $240 million to over $400 million dollars. Given the federal budget deficit, a problem with which we are all very familiar, we do not feel that it is now unreasonable for the U. S. Government to expect a fair return in its investment; a fact that seems only fair to all of the taxpayers of this country who have long supported the development of those facilities. Certainly, it is unfair to the taxpayers of the State of Maryland who have supported the Washington airports through their federal tax dollars and the development of BWI, which also serves the Washington area, with their State tax dollars.

An additional fact relating specifically to Dulles Airport is the over two thousand areas of land on the Dulles property which represents an immense potential for development. It is our understanding that this land will not be needed for airport facility development and that it is, therefore, available for commercial/industrial development. Such land represents an enormously valuable windfall for an independent Airport Authority and it is our opinion that this land should be separated from the Airport transfer proposal and retained by the U. S. Government for lease or sale to its own financial benefit.

Federal involvement in establishing or maintaining the restrictions now in effect at National Airport should be retained, either in toto or as a final approving authority for changes proposed by the Airport Authority. All of the restrictions currently in effect are firmly based on the reality of aircraft operations at National Airport in terms of safety, physical limitations of the facility, or the interests of the citizens who live and work in the area surrounding the Airport and its approaches. The chief reason for keeping federal involvement is that an independent, appointed Authority is not as responsive to concerns and/or complaints as are elected officials. Additionally, the lack of local government responsibility, whether in Virginia, the District of Columbia, or Maryland, in the decision-making processes of the Authority further weakens the chain of responsibility. This chain of responsibility from the citizen to the decision maker must be kept intact and must be clearly understood. To whom does an aggrieved citizen appeal a decision of the Airport Authority? To the federal or state courts involved? Operational decision making by the courts is not in the best interest of anyone, whether a citizen, a local official, an airline, or the Airport Authority. The courts should be the place of last resort, not first resort. Our feeling here is that the federal government should retain its control over the restrictions at National Airport.

Related to this is the decision-making authority of the proposed Airport Authority. The local governments are responsible for land use control for all areas surrounding the Airport properties, as well as their approach and takeoff zones. We are not certain from the legislation what the exact relationships of these local governments would be vis-a-vis an independent, appointed Airport Authority. The authority and responsibilities of the affected local governments should be respected and carefully enumerated in the legislation so that no gray area or usurpation of these powers would be possible. Such action would ensure that an appointed body, not directly responsible to the citizens of the area which it served, would not be able to ignore or override the elected governments which are responsible to those citizens.

In dealing with the question of the possible impact of service on air travel, we will confine ourselves to a possible impact which is of great concern to the residents of the Baltimore Region. The Authority which would be created by S. 1017 would have independent operational control of two of the three major airports serving the Baltimore-Washington Regions. Due to the composition of the proposed Authority, which we will discuss a little later, their charge and total interest would be in taking maximum advantage of the assets of Dulles and National Airports and enhancing these assets through a major capital improvement program made possible by the generous terms of the lease agreement. These facilities represent very great assets indeed! The Authority would have great leverage with the airlines serving this area and it would be in the Authority's interest to greatly increase aircraft movements into and out of their facilities. (An additional reason for federal maintenance of the National Airport restrictions.) Their concern for the Baltimore-Washington International Airport would be minimal and the service impacts on BWI could be serious. As a condition for increased quotas at National, airlines could be pressured into moving more operations to Dulles, most likely at the expense of BWI.

The composition of the proposed Authority worries us in that Maryland is not given the recognition which it deserves in the decision-making process.

Taking the very narrow view that since both Airports are located in Virginia, with one adjacent to the District of Columbia, that the facilities are their business and no one else's might lead to the proposed composition of the Authority. The broader view, however, would lead one to the conclusion that Dulles and National Airports are two parts of a triad of facilities, including BWI, serving an interstate area of mutual and inter-dependent concern. The economic viability, the operational safety, and the adequacy of service available at each Airport are a matter of concern to the entire area, not just to the Commonwealth of Virginia, the District of Columbia, or the State of Maryland. This broad view, which we support, would suggest that Maryland be given equal representation on the Authority. Such a change would ensure that the legitimate concerns of all jurisdictions would be given adequate representation.

The Regional Planning Council believes that its role would be to assist the Maryland representatives on the Airport Authority, if created, to adequately research and prepare data describing the potential impacts on the Baltimore Region of any proposed action by the Airport Authority. While our data and charge are restricted to the Baltimore Metropolitan Area, the Council has a wealth of professional expertise and experience available in the major areas of economic development and projections, transportation planning, land use and environmental analysis, as well as housing and community development. Our services would certainly be available for use in any way which would appear suitable to those concerned.

In summary, the thrust of our testimony has not been to present reams of data and other materials but, really, to present concerns and to suggest that the proposed legislation is not as simple and straightforward as it may appear to be. There are many ramifications and complex interactions that must be carefully considered before any action on S. 1017 is taken.

Attached is a copy of a letter which I previously wrote on behalf of the Regional Planning Council including a Resolution adopted by the Transportation Steering Committee and the entire Regional Planning Council setting forth certain minimum requirements we believe necessary to protect Maryland's interests.

Attachments

April 19, 1985

Enclosed you will find a copy of a Regional Planning Council resolution opposing soon-to-be introduced legislation providing for the transfer of Washington National and Dulles Airports from federal jurisdiction to an independent airport authority. The Regional Planning Council feels strongly that the legislation, as proposed, is not in the best interests of either the State of Maryland or the federal government.

As noted in the resolution, the proposed financial terms of $47 million is a ridiculous price for such valuable properties. In this time of huge federal deficits, a fee representing approximately 15 percent of the assessed value of the two airports should not be seriously considered. Additionally, the Dulles property includes several thousand acres of prime commercial land. This land should not be included in the transfer proposal but should be retained by the federal government, either for lease or disposal on the open market.

A final point concerns the potential impact of this transfer on the Baltimore-Washington International Airport. This facility and the potential negative impacts upon it were not sufficiently considered in the analyses leading to the transfer proposal. The State of Maryland has an enormous investment in BWI, which is a viable and important facility with a major role in the Baltimore-Washington air traffic market. Operation of the Metropolitan Washington Airports under the terms of the legislation could put BWI in a position of extreme economic disadvantge. You may remember that exactly this condition existed when Dulles Airport was opened, and the situation should not be repeated.

In summation, the Regional Planning Council does not object to the transfer of the Metropolitan Washington Airports to a local, independent authority, but we strongly object to the proposed terms of the transfer which are discriminatory to the State of Maryland and certainly not in the best interests of the federal government, itself.

We urge that you make every effort to amend or defeat this legislation, and please do not hesitate to call upon us if there is anything we can do to assist in this effort.

Sincerely yours,

J. Hugh Nichols
Chairman

REGIONAL PLANNING COUNCIL
2225 NORTH CHARLES STREET
BALTIMORE, MARYLAND 21218

RESOLUTION

OPPOSITION TO LEGISLATION TRANSFERRING METROPOLITAN WASHINGTON AIRPORTS TO INDEPENDENT AIRPORT AUTHORITY

WHEREAS, the U.S. Department of Transportation is drafting legislation based on the recommendations of the "Advisory Commission on the Reorganization of Metropolitan Washington Airports" to provide for the transfer of Washington National and Dulles International Airports to an independent airport authority; and

WHEREAS, the draft legislation fails to acknowledge Baltimore/Washington International as a major airport also serving the Washington Metropolitan area whose economic interests must also be considered; and

WHEREAS, the State of Maryland has invested approximately $200 million for acquisition and improvements to Baltimore/Washington International Airport in recent years; and

WHEREAS, the proposed Airports Authority Board cannot be expected to protect Maryland's interests with only two of eleven members to be appointed from Maryland; and

WHEREAS, the proposed financial terms would make the properties available through annual lease payments to the Authority for $47 million, a fraction of the appraised value of the properties ($347 million in 1983); and

WHEREAS, the low annual lease payments, coupled with the potential for substantially increasing landing fee revenues, will allow the Authority to sell revenue bonds to mount a major capital improvement program for hundreds of millions of dollars immediately; and

WHEREAS, the legislation would allow the elimination of the current total passenger cap on National Airport operations of 16 million passengers annually; and

WHEREAS, the transfer of the Dulles property includes several thousand acres of land which were originally purchased for airport expansion and are now prime lands for commercial development by the Authority, and would be transferred to the Authority at no cost;

WHEREAS, the terms of the proposed transfer create a decided economic disadvantage for both Baltimore Washington International Airport in serving the region's air travelers and the State of Maryland and its local jurisdictions in competing for opportunties; and

WHEREAS, the provision of the proposed transfer would likely result in air service reductions at Baltimore/Washington International, adversely affecting Maryland businesses and residents, impacting Maryland's ability to attract and maintain high-tech industries and other employment, and reducing Baltimore City's and the Region's ability to attract tourism and convention business to the area;

NOW, THEREFORE, BE IT RESOLVED THAT THE Regional Planning Council strongly opposes the provisions of the transfer of the airports to local control because they unfairly discriminate against Maryland, its local jurisdictions and Baltimore/Washington International Airport.

FURTHERMORE, the Regional Planning Council strongly urges that the legislation:

1. be based on the fair market value of the airport properties, which takes into account the intrinsic value of the airport property and potentially increasing operating revenues;
2. separate the airport property from developable property at the Dulles site, restrict use of airport property to activities directly related to aviation, and make proceeds of developable property available to the Federal government;
3. recognizes the interests of Baltimore/Washington International as a major airport serving Baltimore and Washington metropolitan areas; and
4. include greater representation for Maryland on the Authority Board.
5. retain the 16 million passenger cap and 37 slot per hour limit at National Airport.

I HEREBY CERTIFY that the Transportation Steering Committee at its 121st meeting, held on April 19, 1985, recommended that the Regional Planning Council approve the aforementioned resolution.

4/19/85
Date

Joel Reightler, Secretary
Transportation Steering Committee

I HEREBY CERTIFY that the Regional Planning Council at its 246th meeting, held on April 19, 1985, took the aforementioned action and incorporated this resolution into its minutes.

4/19/85
Date

Alfred P. Gwynn
Executive Director

metropolitan washington
COUNCIL OF GOVERNMENTS
1875 Eye Street, N.W., Suite 200, Washington, D.C. 20006-5454 (202) 223-6800

July 9, 1985

Honorable Charles McC. Mathias
United States Senate
Chairman, Subcommittee on Governmental
  Efficiency and the District of Columbia
387 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Mathias:

At your invitation we are submitting information on COG's policies that may relate to the proposed transfer of National and Dulles Airports from the Federal Aviation Administration (FAA) to an independent interstate metropolitan authority. The Administration's authorization for such transfer is contained in S.1017, the bill on which your Subcommittee will hold hearings on July 10, 1985. Your letter of June 24, 1985 asking for our views poses several specific questions on the possible impact of the legislation.

BACKGROUND

COG is the joint agency of the Government of the District of Columbia and fifteen major local governments within the Maryland and Virginia portions of the Washington Metropolitan Area. It was established in 1957 as a policy making forum to address intergovernmental issues within the region.

The Council is administered under the direction of a Board of Directors; twenty-two are elected officials from local governments, and the other members are from the area's delegations to the Maryland and Virginia General Assemblies.

Its functions and activities parallel the intergovernmental issues and needs of the region. Within the COG framework, the region's local governments coordinate their activities in such areas as public safety, water and air quality, housing, human resources, community and economic development and transportation.

District of Columbia • Arlington County • Fairfax County • Loudoun County • Montgomery County • Prince George's County • Prince William County
Alexandria • Bowie • College Park • Fairfax City • Falls Church • Gaithersburg • Greenbelt • Rockville • Takoma Park

AIRPORT SYSTEM PLANNING

Included in COG's transportation activities, we have been given the responsibility for developing and maintaining an airport system planning process. This is a partnership venture; the FAA, the States and our local governments have jointly participated in and funded the effort which began in 1972. Further, the participation of the Maryland Department of Transportation in this endeavor allows the planning to reflect the role that the Baltimore-Washington International Airport (BWI) plays in meeting a part of the air passenger needs of the Washington Metropolitan Area.

Airport system planning is accomplished under the Airport and Airways Development Act; COG receives its federal support under this legislation. Our planning entails the development of information and guidance to determine the extent, type, nature, location and timing of airport development needed in the region to have a balanced system of airports services. It is distinguished from airport master planning, currently conducted by FAA, which determines the extent, type and nature of development at a specific airport.

We are currently in the midst of a major revision of the region's system plan. This effort is in the incipient stage of testing policy alternatives to meet the travel demand identified in our earlier data collection and survey work. Consequently, it has not as yet produced policy options that might be responsive to some of the questions you have asked on the transfer legislation. On the other hand, it provides some information on future travel demand which we will reflect in this statement.

THE SECRETARY's TRANSFER PROPOSAL

To date, COG's involvement in the debate of the specific transfer proposal reflected in S.1017 has been minimal.

This legislation has its genesis in the Report of the Advisory Committee established by Secretary Dole to formulate a proposal for the transfer. At the invitation of the Secretary, COG recommended three local elected officials to reflect local government interests on the Advisory Committee. At the time that the Board accepted its Chairman's recommendation of nominees for submission to Secretary Dole, it determined that these individuals should be free agents and not instructed to represent COG or the region as a whole on the question of transfer.

The COG nominees and the local governments within the region have disparate views on the proposed institutional arrangement for the transfer. Accordingly, the COG Board has not attempted to develop an organizational position on the specific proposal embodied in S.1017. At the same time, we have in existence some general policies and planning information that might be relevant in your Subcommittee's deliberations and respond to some of your questions that relate to transfer of the airport. With this caveat, the following addresses, to the degree possible, the questions in your June 24 letter.

GENERAL

As a general proposition, COG has consistently called for the transfer of National and Dulles Airports to local control. This policy was first enunciated in 1971 when the Nixon Administration indicated it was prepared to support a divestiture. But, as previously stated, we have not taken any position on the specific arrangements for transfer provided in S.1017.

SPECIFIC QUESTIONS

Within this context, the following responds to the specific queries contained in your letter. To avoid restating the question we are attaching a copy of your letter to relate your questions to our responses.

1. COG has no policy on the compensation that a regional airport authority should pay in the transfer of National and Dulles Airports.

2. Inherent in our position favoring local control over the airports is the distinct preference that such control be unfettered by previously established FAA policies and regulations on the non-safety related aspects of operating National and Dulles Airports.

   Of course we cannot speak to the degree this position would be modified if it would facilitate a political consensus on obtaining enactment of transfer legislation.

3. As indicated above, COG is just beginning the testing of alternative policies for the operation of the bi-region's three airports. We are unable to indicate the degree, if any, the respective market share among the three commercial airports would be affected under the operational premises contained in S.1017. Attached for your information, however, as

Appendix "A", is a summary of our Washington-Baltimore Airport Passenger Activitiy which depicts passenger activity at the airports between 1979 and 1984. Additionally, we are attaching as Appendix "B" a document dated November 1984 entitled, "Background Information Concerning Airport Activity and Impacts." Among other things, it depicts information from our air passenger survey on who uses the facilities and prospective traffic growth. This material also was provided to the Holton Commission.

4. The environmental impact of the transfer only can be adequately ascertained through the examination of the operating latitude provided the regional authority in the event of a transfer, and the possible alternative ways that discretion might be exercised. We have not attempted to make such an assessment. But, COG does have policy calling for the establishment of standards which would prevent large commercial turbojets from operating at late night hours. Moreover, we are actively exploring ways of reducing daytime noise at National with officials of FAA;s Metropolitan Washington Airports unit.

5. It appears that service levels at the bi-region's airports will be set to meet existing and anticipated demand; this is the nature of the airline business in this era of deregulation. The distribution of service levels will be contingent on the operating policies for these facilities and, as indicated in (4.) above, we dc not, at this point, have information on this question.

6. COG's Board of Directors, at its January 9, 1985 meeting, voted to write Secretary Dole to point out COG's continuing airport systems planning role and its concern that it not be diminished in any eventual airport transfer. Attached as Appendix "C" is Secretary Dole's response which indicates this role will be preserved under the relationship the regional airport authority would have to the Airport and Airway Development Act. It should be noted, however, that if this Act is terminated, COG's role would, by definition, also end.

7. On your final question, we must report that COG has not taken a position on the proposed composition and authorities of the regional airports authority authorized under S.1017.

We hope this information will be of assistance.

Sincerely yours,

Walter

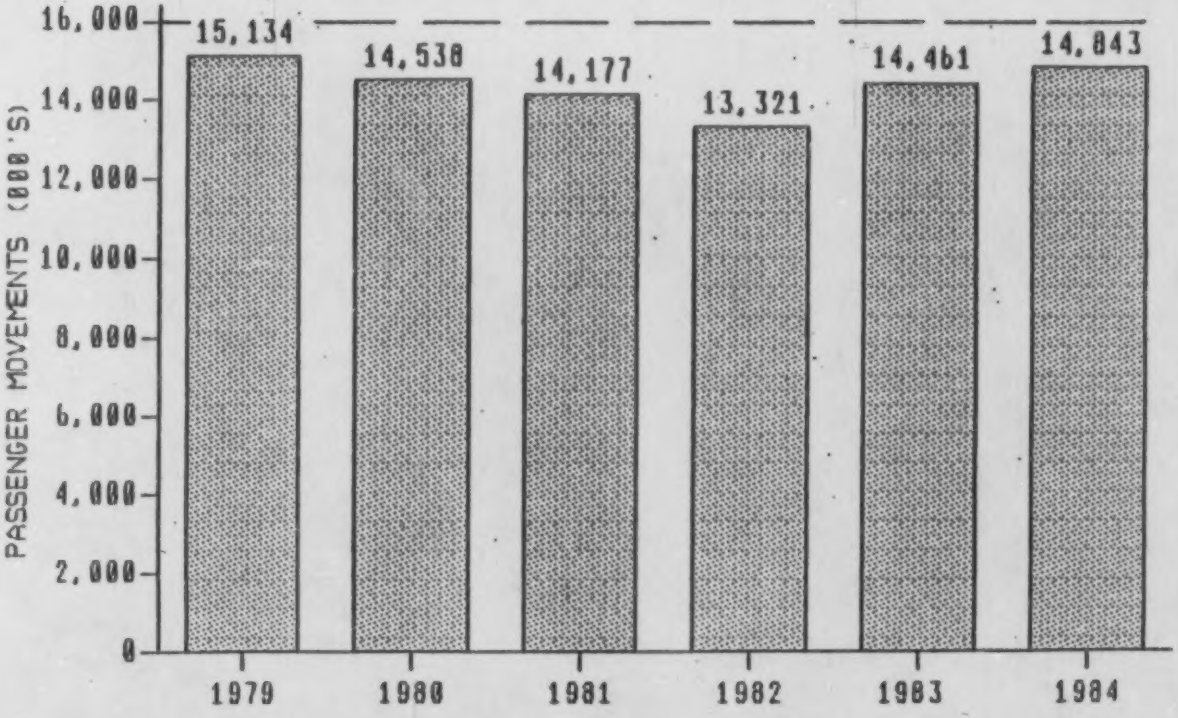
Walter A. Scheiber
Executive Director

ATTACHMENT

APPENDIX "A"

WASHINGTON-BALTIMORE AIRPORTS
PASSENGER ACTIVITY
1979-1984

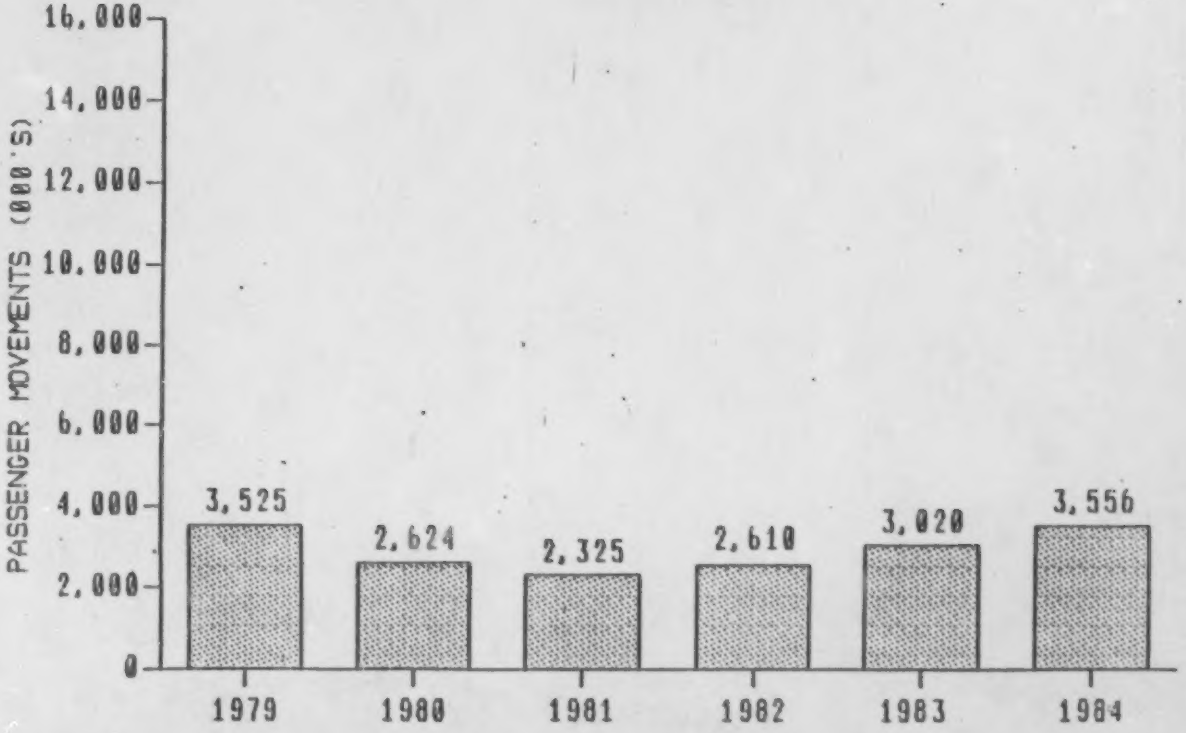
METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
DEPARTMENT OF TRANSPORTATION PLANNING
FEBRUARY 1985



PASSENGER MOVEMENTS
WASHINGTON NATIONAL AIRPORT
1979-1984

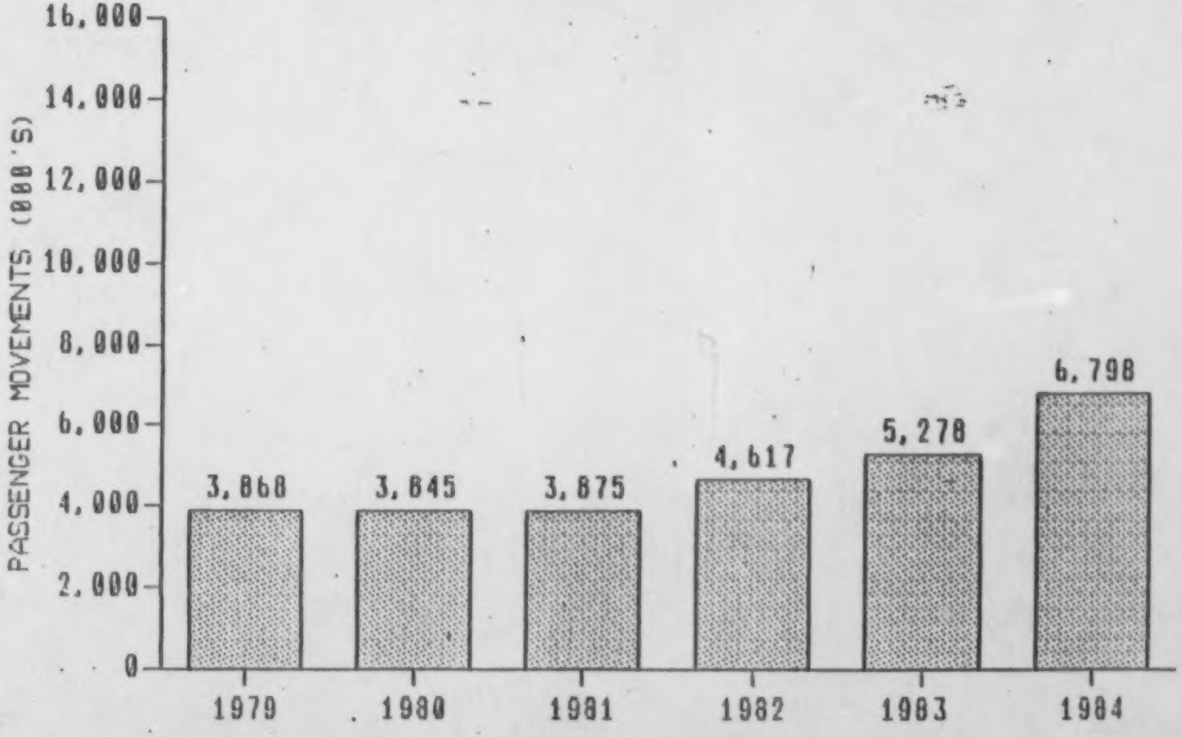
Source: Metropolitan Washington Airports

PASSENGER MOVEMENTS
WASHINGTON DULLES INTERNATIONAL AIRPORT
1979-1984



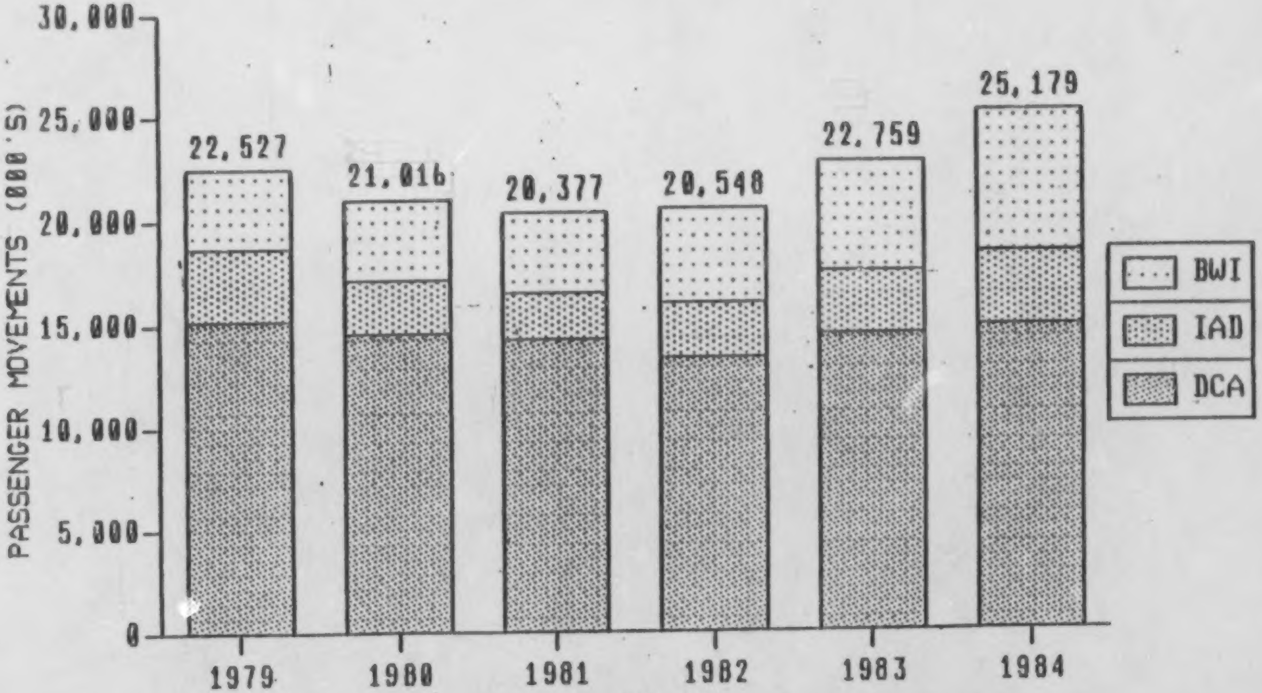
Source: Metropolitan Washington Airports

PASSENGER MOVEMENTS
BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT
1979-1984



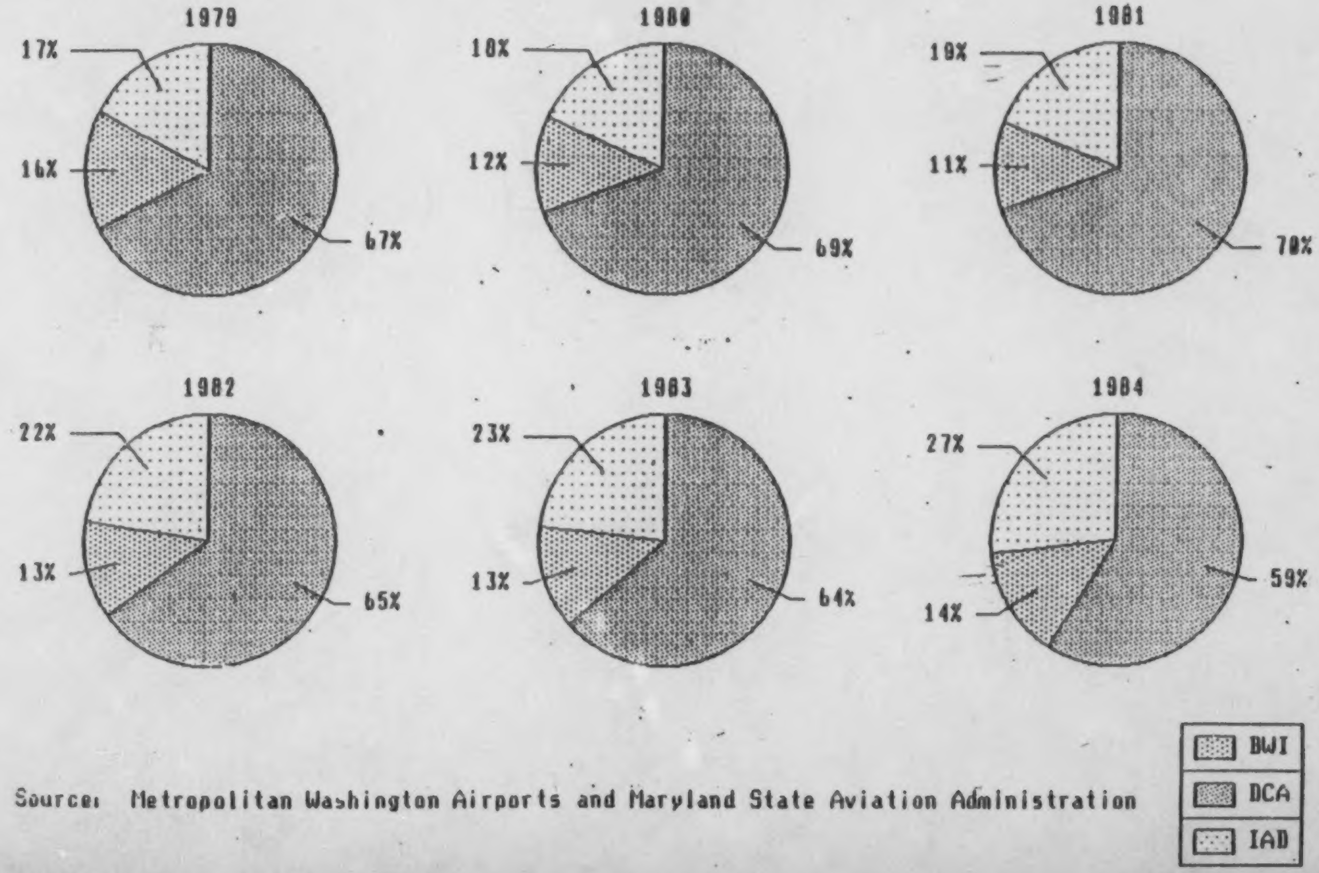
Source: Maryland State Aviation Administration

YEARLY PASSENGER MOVEMENTS
NATIONAL, DULLES AND BWI AIRPORTS
1979-1984



Source: Metropolitan Washington Airports and
Maryland State Aviation Administration

PERCENTAGE SHARE OF TOTAL WASHINGTON-BALTIMORE AIRPORT PASSENGERS 1979-1984



Source: Metropolitan Washington Airports and Maryland State Aviation Administration

APPENDIX "B"

BACKGROUND INFORMATION CONCERNING AIRPORT ACTIVITY AND IMPACTS

PREPARED BY

THE METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

November 1984

Introduction

As part of the Holton Commission deliberations several questions have arisen concerning the importance of Washington National and Washington Dulles International Airports to the District of Columbia and Maryland. The Council of Governments through its Continuing Air Systems Planning Program (CASP) has at it's disposal information that can help to define the importance of the Federally owned airports to the greater Washington/ Baltimore areas.

This paper presents data which is relevant to the issue, this includes:

- who uses the airports,
- how much air traffic will grow, and
- who experiences noise impacts from National Airport.

Airport Use

In July 1981 and March 1982 the Council of Governments conducted a survey of 25,000 airport passengers departing the three Washington- Balitmore commercial airports.(1) As part of that survey, it was determined where the airport users began their trips in the biregion. A cartogram depicting the origin county for passengers departing the airports is shown in Figure 1. This cartogram shows that over 75% of the trips made from the three airports began in the Washington metropolitan area. The distribution of airport use by the state of origin is further shown in Figure 2, where it can be seen that over half the trips that originate in Maryland (1.5 million trips/year) use either Washington National, or Washington Dulles International Airport. Thus the two Federally owned airports are more important to Maryland air travellers than Baltimore Washington International is.

If one looks only at passengers starting there trip from the Washington Metropolitan area who use Washington Dulles International and National Airports it can be seen in Figure 3 that 41% of the users started their trip in the District of Columbia, 39 percent in Northern Virginia and 20% in the Maryland suburbs.

Passenger Growth

Air travel has experienced a high level of growth in recent years, and this growth is projected to continue in the coming decades. The Metropolitan Washington COG in cooperation with the aviation interests of the region has recently completed forecasts of commercial airport activity for the next twenty years (2). These forecasts include a range of future passenger activity that reflect a range of air passenger activity for the biregion. This range is described in Figure 4, which shows that air passenger activity could nearly double from 22 million to 42 million passengers in seventeen years (between 1983 and 2000), or 26 million passengers using Dulles and BWI assuming National's current cap at 16 million is maintained. If activity was to increase at the lowest possible rate, their would still be over 30 million passengers using Washington area airports by 2000, or almost as many passengers (14+ million) using Washington Dulles International, and BWI airports as currently use Washington National. Therefore it can be seen that the projected growth in air passenger activity offers the potential for a trebling of activity for Dulles and BWI.

Noise Impacts

The most significant negative impact airports impose on any area is the noise generated by departing and arriving aircraft. This noise pollution is not limited to the immediate airport area but can be experienced miles from the airport.

It is safe to say that noise from both Washington Dulles and BWI is primarily experienced in the state where the airport is located, however, noise from Washington National significantly impacts Virginia, the District of Columbia, and Maryland. Noise impacts from National Airport have recently been estimated by the FAA and their consultants as part of the evaluation of the so called "Scatter Test". (3) According to the noise indicator of people experiencing 75 decibel of noise for 30 seconds or longer, District of Columbia residents bare the major burden of noise, 57 percent, followed by Virginia with 33 percent and Maryland with 10 percent as shown in Figure 5. These general proportions if not the absolute numbers are confirmed by an alternative method of noise impact evaluation.

NOTES

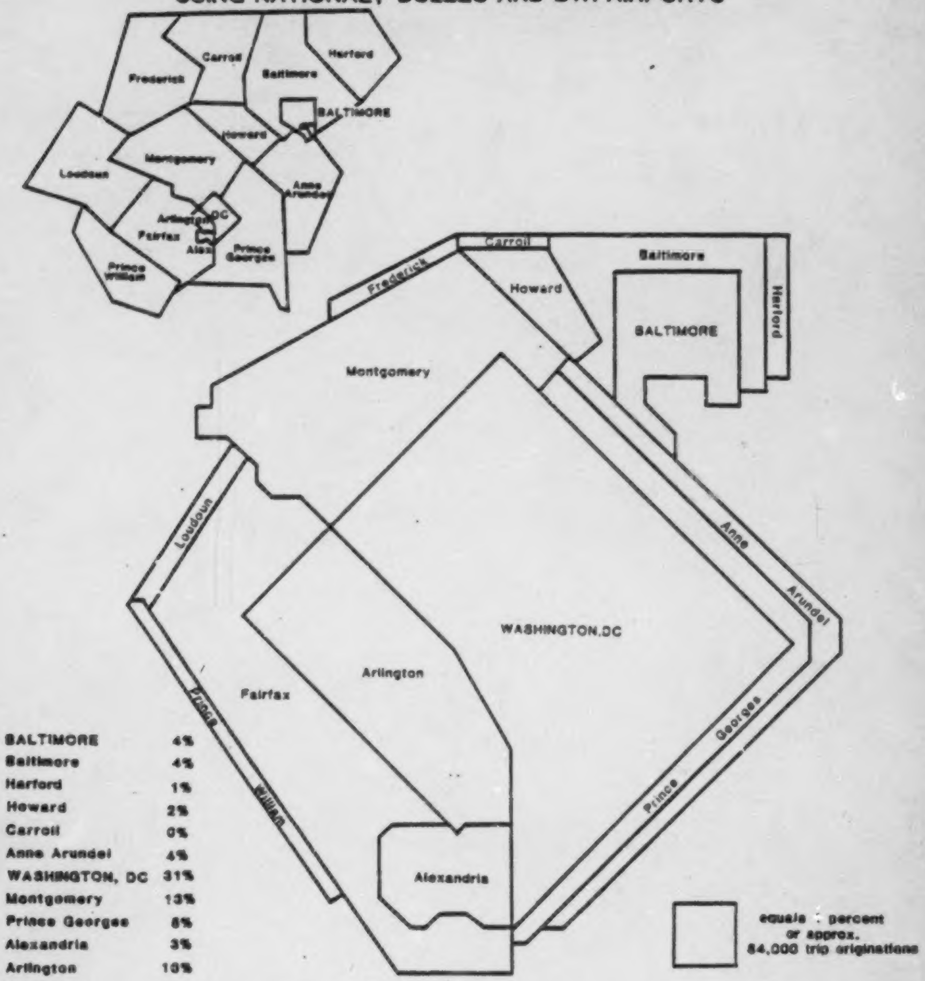
1. Washington-Baltimore Regional Air Passenger Survey, September 1982.

2. Washington-Baltimore Region Air Passenger Demand Forecasts, May 1984.

3. Report on the Test of Dispersal of Turbojet Aircraft Departure Tracks at Washington National Airport (1983-84), October 1984.

FIG. 1

CARTOGRAM OF TOTAL TRIP ORIGINATIONS FOR WASHINGTON-BALTIMORE REGION USING NATIONAL, DULLES AND BWI AIRPORTS


Frederick
Carroll
Baltimore
Harford
BALTIMORE
Howard
Montgomery
Loudoun
Anne Arundel
Arlington
DC
Fairfax
Alex
Prince Georges
Prince William
Carroll
Frederick
Baltimore
Howard
Harford
BALTIMORE
Montgomery
Loudoun
Anne Arundel
WASHINGTON,DC
Arlington
Fairfax
Prince William
Prince Georges
Alexandria
equals 1 percent
or approx.
84,000 trip originations

BALTIMORE	4%
Baltimore	4%
Harford	1%
Howard	2%
Carroll	0%
Anne Arundel	4%
WASHINGTON, DC	31%
Montgomery	13%
Prince Georges	8%
Alexandria	3%
Arlington	10%
Fairfax	14%
Loudoun	1%
Prince William	1%

source: Washington-Baltimore Air Passenger Survey 1981/1982

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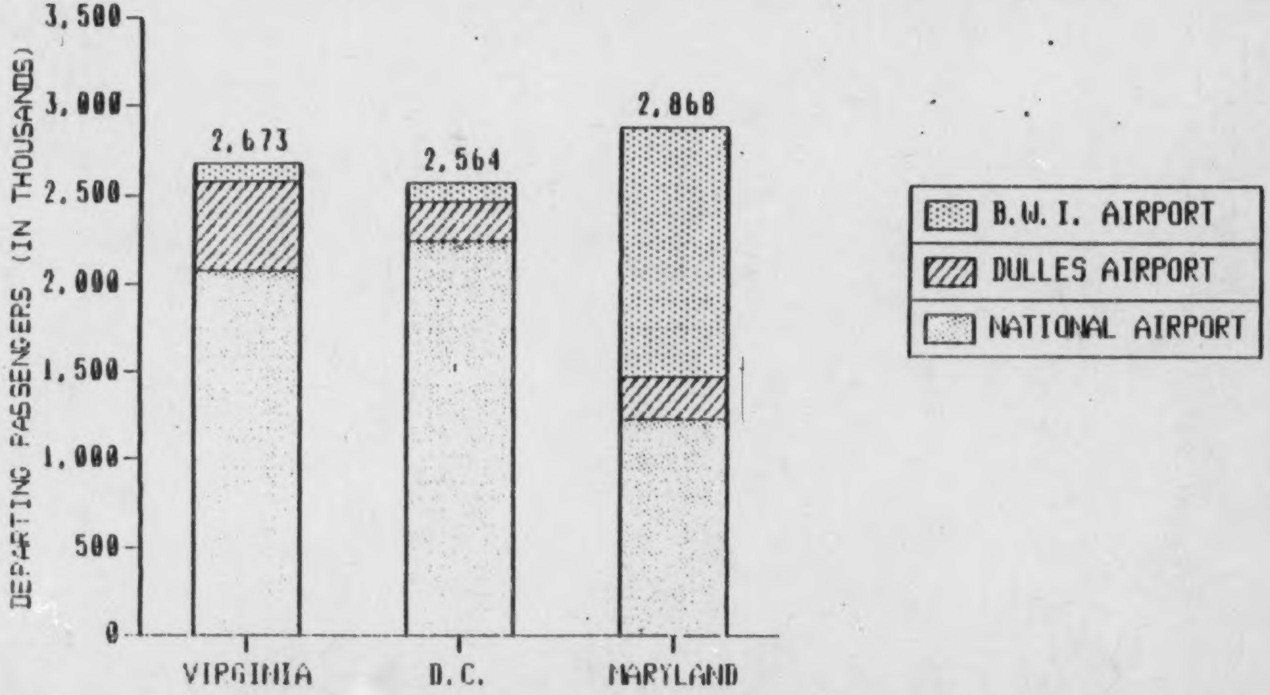
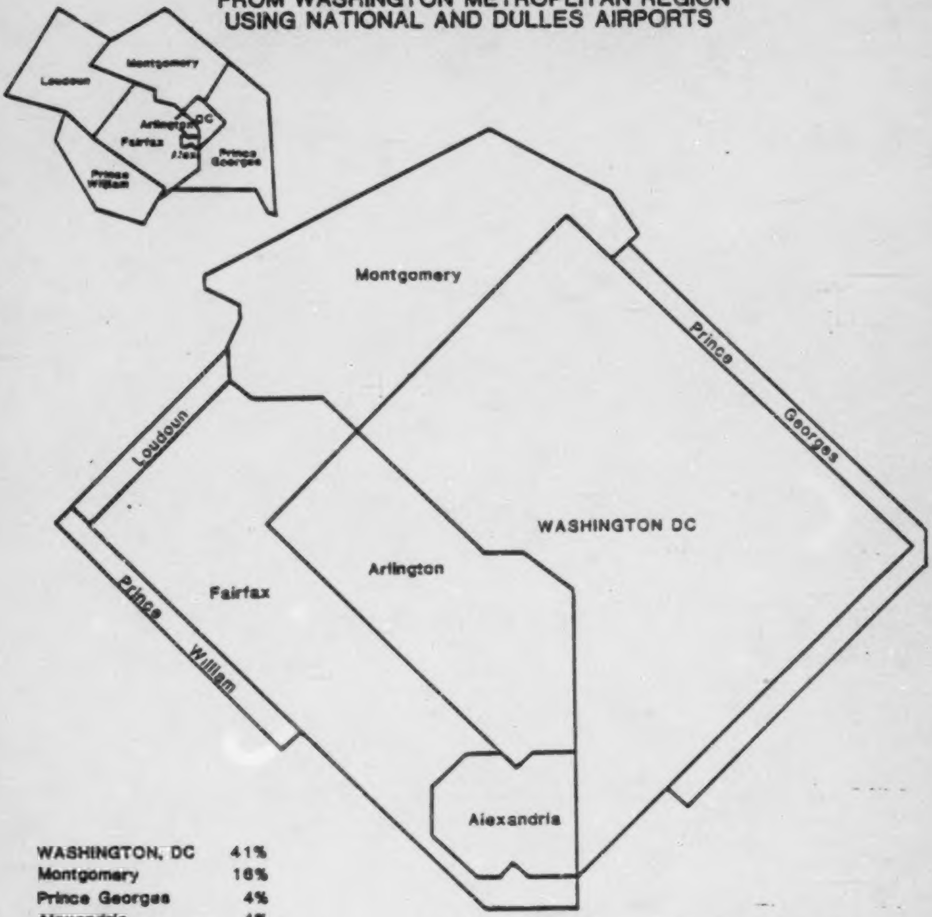
FIGURE 2
DEPARTING AIR PASSENGERS BY AIRPORT AND STATE (IN THOUSANDS)



Source: Washington-Baltimore Regional Air Passenger Survey fig. 3

CARTOGRAM OF TOTAL TRIP ORIGINATIONS FROM WASHINGTON METROPLITAN REGION USING NATIONAL AND DULLES AIRPORTS


Loudoun
Montgomery
Arlington
DC
Fairfax
Alex
Prince Georges
Prince William
Montgomery
Prince Georges
Loudoun
WASHINGTON DC
Arlington
Fairfax
Prince William
Alexandria

WASHINGTON, DC	41%
Montgomery	16%
Prince Georges	4%
Alexandria	4%
Arlington	13%
Fairfax	19%
Loudoun	1%
Prince William	2%

☐ equals 1 percent or approx. 60,000 Trips

source: Washington-Baltimore Air Passenger Survey 1981/1982

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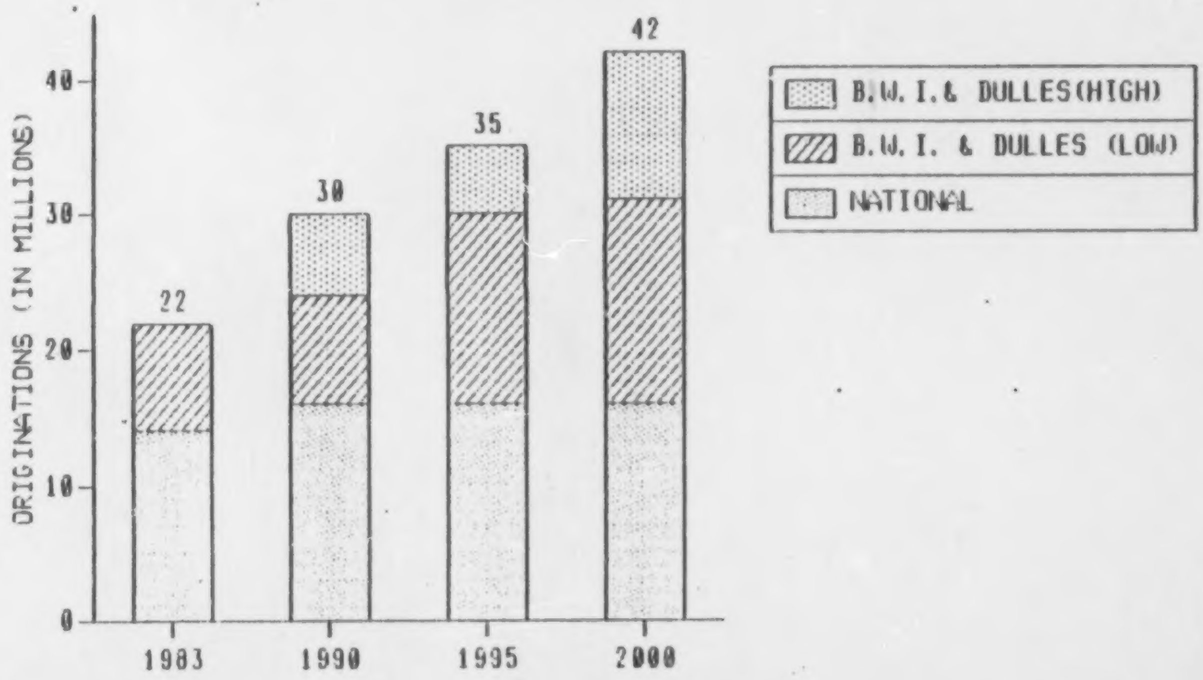
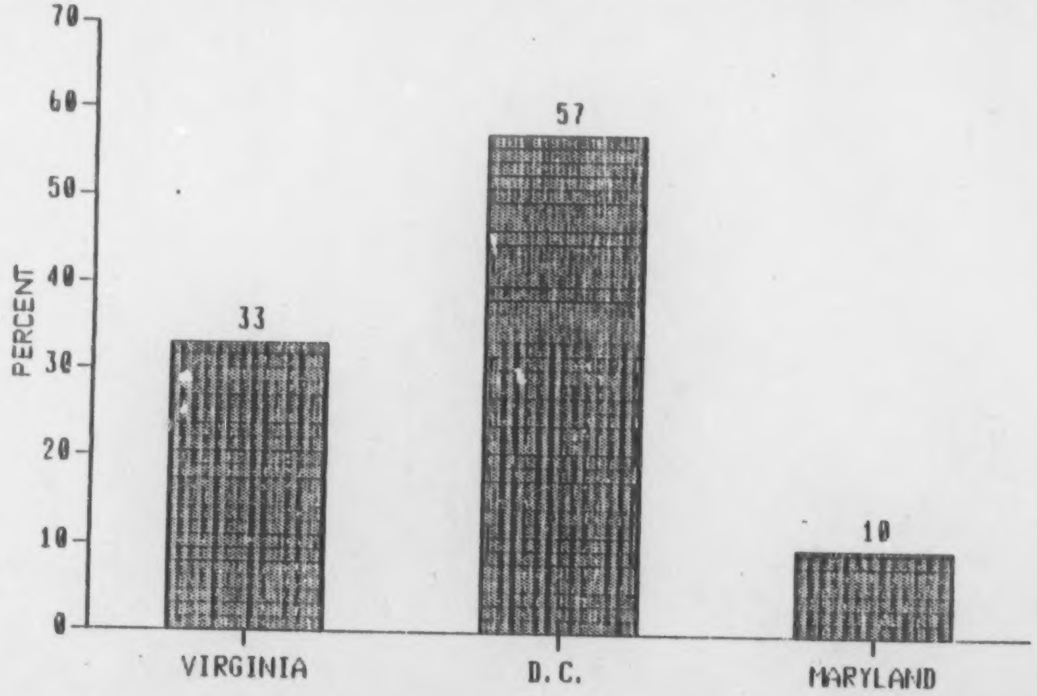
FIGURE 4
FORECAST OF WASHINGTON-BALTIMORE AIR PASSENGER ENPLANEMENTS
(IN MILLIONS)



Source: Washington-Baltimore Region Air Passenger Demand Forecasts

FIGURE 5
NATIONAL AIRPORT REPORTED NOISE IMPACT
(RESIDENTIAL POPULATION LEVEL EXPERIENCING 75 dB FOR 30 SECONDS OR LONGER)



SOURCE: Report on the Test of Dispersal of Turbojet Departure Tracks at Washington National Airport (1983-84)

ORIGIN OF TRIPS TO WASHINGTON-BALTIMORE AREA AIRPORTS
TOTAL PASSENGER TRIP ORIGINATIONS

Airport	Origin		Number of Passenger Trips	Percent of Passenger Trips	Percent of Regional Passenger Trips
Washington National Airport	Maryland Suburbs		992000	18	12
	District of Columbia		2234000	40	26
	Northern Virginia		1922000	34	23
	Other Maryland		241000	4	3
	Other Virginia		147000	3	2
	Other States		108000	1	1
		SUB-TOTAL	5644000	100	67
Dulles International Airport	Maryland Suburbs		192000	21	2
	District of Columbia		221000	22	3
	Northern Virginia		443000	45	5
	Other Maryland		44000	4	1
	Other Virginia		61000	6	1
	Other States		22000	2	0
		SUB-TOTAL	983000	100	12
Baltimore/ Washington International Airport	Maryland Suburbs		289000	17	3
	District of Columbia		109000	6	2
	Northern Virginia		80000	5	1
	Other Maryland		1110000	63	13
	Other Virginia		20000	1	0
	Other States		141000	8	2
		SUB-TOTAL	1749000	100	21
		TOTAL	8376000		100

Source: Metropolitan Washington Council of Governments
1981-82 Air Passenger Survey.

ORIGIN OF TRIPS TO WASHINGTON-BALTIMORE AREA AIRPORTS
RESIDENT PASSENGER TRIP ORIGINATIONS

Airport	Origin		Number of Passenger Trips	Percent of Passenger Trips	Percent of Regional Passenger Trips
Washington National Airport	Maryland Suburbs		512000	28	18
	District of Columbia		397000	22	13
	Northern Virginia		840000	46	29
	Baltimore Region		81000	4	3
		SUB-TOTAL	1830000	100	63
Dulles International Airport	Maryland Suburbs		112000	29	4
	District of Columbia		43000	11	1
	Northern Virginia		220000	56	8
	Baltimore Region		17000	4	1
		SUB-TOTAL	392000	100	14
Baltimore/Washington International Airport	Maryland Suburbs		156000	23	5
	District of Columbia		28000	4	1
	Northern Virginia		46000	7	1
	Baltimore Region		452000	66	16
		SUB-TOTAL	682000	100	23
		TOTAL	2904000		100

Source: Metropolitan Washington Council of Governments
1981-82 Air Passenger Survey

APPENDIX "C"

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

MAR 26 1985

Mr. Walter A. Scheiber
Executive Director, Metropolitan
Washington Council of Governments
Suite 200
1875 I Street, N.W.
Washington, D.C. 20006

Dear Mr. Scheiber:

Thank you for your recent letter concerning proposed legislation to implement the recommendations of the Advisory Commission on the Reorganization of the Metropolitan Washington Airports, generally known as the Holton Commission.

You requested that we take "whatever steps are necessary to assure that the Council ... retain its present airport and airways planning responsibilities, both in the near-term future and when the compact recommended by your Commission becomes effective."

We will soon be submitting proposed federal legislation to the Congress to effect a transfer of the Metropolitan Washington Airports to an independent authority to be created by the Commonwealth of Virginia and the District of Columbia. In developing this bill, we have endeavored first to follow closely the recommendations of the Holton Commission, and second, to the extent practicable, to put the new authority in the same position as any other airport proprietor.

Nothing in the proposed legislation would affect in any way the status of the Council of Governments (COG) under the Airport and Airway Improvement Act, 49 U.S.C. 2201 et seq. Nor did COG's receipt of planning grants in the past turn on the federal ownership of two of the three airports serving the region.

While we cannot, of course, provide any agency with a guarantee of receiving grants in the future, I can assure you that I do not foresee any change in the existing pattern of federal-aid planning funding resulting from transfer of the Metropolitan Washington Airports.

With best wishes,

Sincerely,

Elizabeth H. Dole

Elizabeth Hanford Dole

STATEMENT OF MAYOR MARION BARRY, JR.

BEFORE THE SENATE COMMITTEE ON

GOVERNMENTAL AFFAIRS, SUBCOMMITTEE ON

GOVERNMENTAL EFFICIENCY AND THE DISTRICT OF COLUMBIA

CONCERNING S.1017, TO CREATE A

REGIONAL AIRPORT AUTHORITY

JULY 10, 1985

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO TESTIFY IN SUPPORT OF S. 1017 LEGISLATION TO CREATE A REGIONAL AIRPORT AUTHORITY TO ACQUIRE WASHINGTON NATIONAL AND DULLES INTERNATIONAL AIRPORTS FROM THE FEDERAL GOVERNMENT. CONFORMING LEGISLATION HAS BEEN ENACTED INTO LAW IN THE COMMONWEALTH OF VIRGINIA AND SIMILAR LEGISLATION TO CREATE A REGIONAL AIRPORT AUTHORITY IS PENDING IN THE COUNCIL OF THE DISTRICT OF COLUMBIA, WITH FINAL ACTION EXPECTED SOON.

ONE YEAR AGO THE "ADVISORY COMMISSION ON THE REORGANIZATION OF THE METROPOLITAN WASHINGTON AIRPORTS" WAS ESTABLISHED BY THE HONORABLE ELIZABETH H. DOLE, SECRETARY OF TRANSPORTATION. THE COMMISSION WAS APPROPRIATELY COMPOSED OF CONGRESSIONAL, STATE AND LOCAL OFFICIALS AND CHAIRED BY FORMER VIRGINIA GOVERNOR LINWOOD HOLTON. I WANT TO COMMEND SECRETARY DOLE FOR HER VISION IN ESTABLISHING THE COMMISSION AND HER GUIDANCE IN SEEING IT TO ITS CONCLUSION. D.C. COUNCILMEMBER BETTY ANN KANE, REPRESENTING THE COUNCIL OF GOVERNMENTS, AND I PARTICIPATED AS DISTRICT OF COLUMBIA MEMBERS ON THE COMMISSION. THE LEGISLATION BEFORE THIS COMMITTEE IS BASED ON THE CAREFUL CONSENSUS ACHIEVED BY THE MEMBERS OF THE ADVISORY COMMISSION AND REFLECTS A SPIRIT OF

REGIONAL COOPERATION AND A SENSE OF DUTY TOWARD PROTECTING THE RIGHTS OF EXISTING EMPLOYEES AND THE NEEDS OF CONSUMERS AND CITIZENS AFFECTED BY THE AIRPORTS.

MR. CHAIRMAN, BEFORE ADDRESSING THE VARIOUS PROVISIONS OF THE LEGISLATION, I WOULD LIKE TO INDICATE THAT THE NECESSARY LOCAL ENABLING LEGISLATION SHOULD BE IN PLACE BY THE END OF THE SUMMER, SO PROMPT CONGRESSIONAL ACTION WOULD PAVE THE WAY FOR AN ORDERLY TRANSITION TO LOCAL CONTROL. THE COMMONWEALTH OF VIRGINIA EXPEDITIOUSLY ENACTED THE VIRGINIA REGIONAL AIRPORT LEGISLATION BECAUSE IT CONSIDERED IT BENEFICIAL TO HAVE THE FRAMEWORK FOR THE AUTHORITY IN PLACE AT THE TIME CONGRESS CONSIDERED THE FEDERAL LEGISLATION. BEING A CO-PARTNER IN THIS PROCESS, THE DISTRICT OF COLUMBIA IS LIKEWISE CONSIDERING SUCH LEGISLATION. ENACTMENT OF THE LOCAL LEGISLATION SERVES TO DEMONSTRATE THAT THE REGION FAVORS THE CONCEPT OF LOCAL, MULTI-JURISDICTIONAL CONTROL OF NATIONAL AND DULLES AIRPORTS. MOREOVER, THE LOCAL LEGISLATION WILL SERVE AS A BASIS FOR THE TERMS OF THE EVENTUAL INTERSTATE COMPACT BETWEEN VIRGINIA AND THE DISTRICT.

THE BILL BEFORE THIS COMMITTEE ESTABLISHES THE MECHANISM FOR THE CREATION OF AN INDEPENDENT AIRPORT AUTHORITY VESTED WITH THE POWERS GRANTED TO IT BY THE

LEGISLATIVE BODIES OF THE DISTRICT OF COLUMBIA AND THE COMMONWEALTH OF VIRGINIA. THE AUTHORITY WOULD HAVE ALL THE POWERS NECESSARY TO OPERATE THE METROPOLITAN WASHINGTON AIRPORTS AND WOULD BE EMPOWERED TO ISSUE BONDS. THE GOVERNING BOARD WOULD CONSIST OF ELEVEN MEMBERS, FIVE FROM VIRGINIA APPOINTED BY THE GOVERNOR AND CONFIRMED BY THE LEGISLATURE, THREE APPOINTED BY THE MAYOR WITH THE CONSENT OF THE COUNCIL OF THE DISTRICT OF COLUMBIA, TWO APPOINTED BY THE GOVERNOR AND CONFIRMED BY THE LEGISLATURE OF THE STATE OF MARYLAND, AND ONE APPOINTED BY THE PRESIDENT. IT IS NOTEWORTHY THAT A PROVISION IS INCLUDED THAT PROHIBITS MEMBERS OF THE BOARD FROM HOLDING ELECTIVE OR APPOINTIVE PUBLIC OFFICE, THAT MEMBERS MUST SERVE WITHOUT COMPENSATION AND MUST RESIDE WITHIN THE WASHINGTON STANDARD METROPOLITAN STATISTICAL AREA.

THE ONE EXCEPTION TO THE RESIDENCY REQUIREMENT IS THE MEMBER APPOINTED BY THE PRESIDENT, WHO NEED NOT RESIDE WITHIN THE SMSA. THE COMPELLING REASON FOR INCLUDING THIS PROVISION WAS THE DESIRE TO INSURE THAT MEMBERS WOULD NOT BE SWAYED BY UNDUE POLITICAL PRESSURE AND FINANCIAL GAIN, AND THAT THEY WOULD UNDERSTAND AND APPRECIATE THE IMPACT OF THEIR DECISION ON THE REGION.

AN ADDITIONAL POINT WORTH MENTIONING IS THE FACT THAT NO ONE JURISDICTION, ACTING INDEPENDENTLY, HAS A MAJORITY. IN ADDITION, SEVEN VOTES ARE REQUIRED FOR BUDGETARY OR BOND APPROVAL PURPOSES.

MR. CHAIRMAN, THE LEGISLATION PROVIDES THAT APPROPRIATE AGREEMENTS FOR THE TRANSFER OF AUTHORITY AND A LONG TERM LEASE MUST BE ENTERED INTO WITHIN TWO YEARS AFTER CONGRESSIONAL ENACTMENT OF THE LEGISLATION. IT ALSO ESTABLISHES THE BASIS FOR COMPENSATION BY THE AIRPORT AUTHORITY TO THE FEDERAL GOVERNMENT IN CONSIDERATION OF THE LEASE WHICH SHALL NOT EXCEED 35 YEARS. THE LEGISLATION BEFORE YOU INCLUDES A PROVISION, WHICH WAS VERY IMPORTANT TO COUNCILMEMBER KANE AND TO ME, REGARDING THE RIGHTS OF EXISTING PERSONNEL OF THE AIRPORTS. THE LEGISLATION PROTECTS EMPLOYEES FOR A PERIOD OF TWO YEARS FOLLOWING THE ACTUAL TRANSFER AND PROVIDES THAT THE AUTHORITY WILL ADOPT LABOR AGREEMENTS WHICH ARE IN EFFECT ON THE DATE OF THE TRANSFER IN ORDER TO PROTECT EMPLOYEES PAY, ACCRUED ANNUAL AND SICK LEAVE, AND RETIREMENT AND INSURANCE BENEFITS. THE AUTHORITY IS ALSO REQUIRED TO ABSORB THE COSTS ASSOCIATED WITH THE VESTED RETIREMENT RIGHTS OF AFFECTED PERSONNEL. IN ESSENCE, ALL RIGHTS AND BENEFITS OF EXISTING EMPLOYEES ARE PROTECTED BY THIS LEGISLATION.

THE LEGISLATION DOES NOT CONFLICT OR ALTER IN ANY WAY THE USE OF LAND ASSOCIATED WITH THE AIRPORTS OR REGULATIONS GOVERNING NOISE STANDARDS. THE LEGISLATION STIPULATES THAT SHOULD ANY LAND BE USED FOR NON-AIRPORT PURPOSES, THE PROPERTY WILL REVERT TO THE FEDERAL GOVERNMENT AND FURTHER STATES THAT NIGHTTIME NOISE LANDING STANDARDS MAY NOT BE AMENDED.

MR. CHAIRMAN, THE TRANSFER OF THE AIRPORTS TO AN AUTHORITY WHICH CAN ISSUE BONDS REPRESENTS THE MOST EFFECTIVE MECHANISM FOR FINANCING CAPITAL IMPROVEMENTS AT BOTH NATIONAL AND DULLES. THE RAPID IMPROVEMENT OF BOTH AIRPORTS USING REVENUE BOND FINANCING IS ONE OF THE CHIEF REASONS FOR THIS TRANSFER AND IT WILL ACCRUE TO THE ADVANTAGE OF THE CONSUMER.

ANOTHER ARGUMENT IN FAVOR OF THE TRANSFER LEGISLATION IS TO TAKE THE AIRPORTS OUT FROM UNDER FEDERAL CONTROL. THE FEDERAL AVIATION ADMINISTRATION (FAA) OPERATES AND MAINTAINS BOTH THE WASHINGTON NATIONAL AIRPORT AND DULLES INTERNATIONAL AIRPORT. THESE ARE THE ONLY TWO COMMERCIAL AIRPORTS IN THE COUNTRY OWNED BY THE FEDERAL GOVERNMENT. ALL OTHER LARGE CARRIER AIRPORTS ARE PUBLICLY OWNED, THE

MAJORITY BY CITIES, COUNTIES, OR SEMI-INDEPENDENT AUTHORITIES. THIS TRANSFER WOULD SHIFT ACCOUNTABILITY FOR AIRPORT OPERATIONS FROM THE FEDERAL TO THE LOCAL LEVEL AND WOULD BE BENEFICIAL IN TERMS OF PROMOTING ECONOMIC DEVELOPMENT AND IN PROVIDING A POWERFUL VOICE FOR LOCAL CITIZENS MOST AFFECTED BY AIRPORT ISSUES.

MR. CHAIRMAN, I BELIEVE THAT THIS LEGISLATION REPRESENTS THE MOST ECONOMICAL WAY TO PROCEED TO INSURE THE VIABILITY OF THE AIRPORTS, TO ADDRESS THE NEEDS OF THE CONSUMERS AND TO PROTECT THE INTERESTS OF THE CITIZENS OF THE METROPOLITAN AREA. THE STRONG REGIONAL COMMITMENT, AS DEMONSTRATED BY THE COOPERATION OVER THE PAST YEAR, SUGGESTS THAT THE CREATION OF AN AIRPORT AUTHORITY IS IN THE BEST INTERESTS OF THE REGION AND WILL HAVE POSITIVE ECONOMIC RESULTS FOR THE AIRPORTS.

FINALLY, I WANT TO SAY THAT A YEAR AGO WHEN THE COMMISSION FIRST MET, MOST OF US FELT THAT WHILE TRANSFER OF THE AIRPORTS TO A LOCAL AUTHORITY WAS A GOOD IDEA, FEW BELIEVED, GIVEN THE HISTORY OF PREVIOUS EFFORTS, THAT WE WOULD PROGRESS VERY FAR.

LET US HOPE THIS PROGRESS AND COOPERATION WILL CONTINUE AND THAT THERE WILL SOON BE A LOCAL AIRPORT AUTHORITY OPERATING NATIONAL AND DULLES AIRPORTS.

TESTIMONY
before the
COMMITTEE ON GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY
AND
S. 1017 AND H.R. 2337
TRANSFER OF METROPOLITAN WASHINGTON AIRPORTS
TO AN INDEPENDENT AUTHORITY
for
LOCAL 1, FEDERAL FIREFIGHTERS ASSOCIATION
AUGUST 29, 1985

FIREFIGHTERS
FEDERAL
ASSOCIATION
ORGANIZED
NOV. 23,1982

Chairman Roth, distinguished members of the Committee on Governmental Affairs, my name is Jimmie L. Pete and I am President of Local 1 of the Federal Firefighters Association. Our local represents the Federal Firefighters who work at the National and Dulles International Airports.

We are pleased to present our testimony regarding the transfer of the Metropolitan Washington Airports to an Independent Authority.

First let me state that it is our official position to be in strong opposition to this legislation. We feel that to many protections have been left out of the bill for the federal workers that would be affected by such a transfer. Although some of the current federal workers rights have been spoken to in the Bill it is our opinion that not enough detail has been provided in each area of those workers rights to set in the concrete of the Bill adequate protection to those affected employees.

To illustrate some of our concerns with this Bill the following information is provided.

SECTION 8 (a) EMPLOYEE INTEREST FOLLOWING TRANSFER.

This portion of Section 8 of the Bill states that "the Secretary shall ensure that the Airports Authority has established arrangements to protect the employment of interests of employees during the two year period which shall include:

(1) .... the Airport Authority will adopt labor agreements....

Our concerns in this area are that nowhere in the Bill does it state how the Airport Authority is to do this adoption of labor agreements. It does not state under what law(s) the Airport Authority shall continue to operate a labor/management relations program. It does not provide for how unions can form and seek elections for representation, is it to be under the National Labor Relations Act through the rules and regulations of the National Labor Relations Board (NLRB), or through the provisions of Chapter 71 of Title 5 U.S.C., or through the District of Columbia's labor relations statute. Too many questions unanswered here.

Federal employees have fought long and hard for the little that they do have in their labor relations statute, and to leave this important right up in the Air, so to speak, for a new Airport Authority to decide via the language in this Bill is a risk that Federal employees and specifically our membership oppose.

This Bill needs to define what statute and what form of government labor relations matters shall be instituted and how it is to operate.

The District of Columbia's law provides for negotiations over wages, hours and conditions of employment, the State Of Virginia is a right to work state and has no such law. We would favor D.C.'s law but most assuredly oppose the Virginia concept, and apparently the Administrations concept that is in the Bill.

(2).... for the transfer and retention of all employees who agree to transfer.... for the two year period....

This factor is also vague in that it does not say what happens to an employee that desires to return to active federal government employment after the two year period or sooner. How would that employee get back into the federal system. What qualification for employment standards shall be met by the Airport Authority. What protections from harrassments are there for employees who transfer and are active in representing employees through their unions.

This Bill does not speak to any of these matters.

(3).... for the payment by the Airport Authority of pay to transferred employees.... for two years.... at or above the levels of basic pay in effect for such employees on the date of transfer.

Our membership would be harmed by this provision if it is strictly interpreted and applied in its current form. Our members are payed a basic GS salary plus a premimum pay for working a 72 hour work week and they receive overtime pay under the Fair Labor Standards Act.

Again what happens after two years, even if our members pay concerns were to be _properly_ addressed in the bill.

(4).... for credit during the two year period.... for accrued annual and sick leave and seniority rights....

Again the Bill is not specific on what happens after the two year period. How is leave to be earned, allowed to be taken? A proper topic for negotiations in a labor agreement, which we would support, but the Bill does not give direction to the Airport Authority in adopting such a forum.

(5).... for an offering of not less that one life insurance and three health insurance programs for transferred employees....

Federal employees currently can chose from over 137 health insurance programs and they have several options on life insurance as well. How magnanimous of the Secretary to propose these restrictions on the selection of health insurance that her employees have had for years, and then to provide for such coverage for only two years. Who pays for the health insurance after the two years, what if any is the obligation of the federal government to these employees, what guarentee of quality of insurance programs is there.

There are far too many questions that are not addressed in the Bill that affect the very employees that would be the operators of the new Airport Authority, and these questions must be addressed in legislation such as this. It is only right to do so.

In view of all that we have brought out in this testimony, we again respectfully state our strong opposition to this Bill. We request that it be defeated by the Committee or changed to give those employees that would be affected by the transfer the proper protections that they deserve.

Thank You Mr. Chairman for allowing us to testify on this important matter.

SUPPLEMENTARY STATEMENT OF JAMES A. WILDING
DIRECTOR, METROPOLITAN WASHINGTON AIRPORTS
before the
SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY
and
THE DISTRICT OF COLUMBIA,
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
CONCERNING THE PROPOSED TRANSFER
OF THE METROPOLITAN WASHINGTON AIRPORTS
TO AN INDEPENDENT AIRPORT AUTHORITY
AUGUST 30, 1985

Mr. Chairman and Members of the Subcommittee:

In response to the indicated concerns of this Subcommittee, I am pleased to provide for the record some descriptive information regarding the personnel and labor relations functions within the Metropolitan Washington Airports (MWA) organization, and also to address the five specific areas where you had requested additional information.

The Metropolitan Washington Airports organization consists of a total of about 650 employees, whose responsibilities fall into one of four broad categories:

(1) Operation of Washington National Airport;

(2) Operation of Washington Dulles International Airport;

(3) Public safety (police and fire protection) at both airports; and

(4) Overall management and administration.

Within the fourth category, the largest single group is the Administrative Systems Division, which includes the centralized personnel, management and budget, and accounting functions for all of MWA. The Personnel Operations Branch consists of 13 people: a Branch Manager, a secretary, and two sections; one which deals with personnel staffing and classification matters and one which is concerned with labor relations and training. These two sections consist of six and five employees, respectively.

The Subcommittee indicated a particular interest in the Labor Relations and Training Section and its role in the daily operation of the Metropolitan Washington Airports. This section was established as part of a major reorganization of MWA which occurred in 1980. Previously, all personnel matters involving MWA employees had been handled centrally by the Federal Aviation Administration through the Headquarters Office of Personnel and Training. The 1980 reorganization shifted all MWA-related personnel functions directly to the MWA organization, where they were organized into the currently existing structure. The number of positions transferred to each of the two new sections represented the approximate level of activity devoted to the respective functions under the previous Headquarters operation.

As noted above, the Labor Relations and Training Section is comprised of five employees. They provide staff assistance concerning the labor relations program for the entire MWA organization. Major responsibilities include:

- advising management on relationships with labor unions;
- negotiating labor agreements;
- explaining rights and procedures to employees on matters such as performance standards and evaluation, conduct and discipline, adverse actions, appeals, grievances, and other subjects;
- administering diversified employee development and training programs;
- representing MWA at third party hearings;
- assuring compliance with equal employment opportunity principles and programs; and

- together with the Staffing and Classification Section, administering numerous employee benefit programs in areas such as employee recognition and awards, occupational safety, injury compensation, health benefits, life insurance, and retirement, to assure that employees are fully informed concerning all benefits resulting from their Federal employment.

This last area ties in directly with the first of the five points which the Subcommittee had requested me to address in this statement.

Employee Consultation

We have conducted an extensive program of employee consultation regarding the airport transfer proposal. Since the initiative was first announced by Secretary Dole in June 1984, it has been one of the first topics of discussion at almost every one of our weekly MWA staff meetings. Copies of the December 1984 Holton Commission Report were distributed widely throughout the MWA organization. On three separate occasions this year--once in January, once in April, and most recently, in August--I have sent a memorandum to all employees informing them of the status of the transfer proposal, how it would affect them, and the likely timing of future steps in the transfer process.

Both sections of the MWA Personnel Operations Branch have been heavily involved in responding to inquiries from the MWA workforce regarding the impact of transfer on individual employees. There have been numerous questions regarding when and how the transfer would happen, how various individuals would be affected by it, what rights they would have, what benefits they would be entitled to, and a host of related questions. As soon as the transfer legislation was sent to the Congress by Secretary Dole on April 22, 1985, copies of it were distributed throughout the organization for all employees.

My second memorandum for all employees was sent out the next day, April 23, explaining the highlights of the bill and its impact upon the employees. Finally, the memorandum was followed by a series of 15 meetings in early May at which every MWA employee was given an opportunity to hear a briefing on the legislation and to ask questions. Over half of the MWA workforce participated in these briefings.

Special Pension Liability

The special pension liability, which you referred to as the "unfunded pension liability," represents in this case the difference between (a) the amount that would be paid into the Civil Service Retirement Fund after transfer at the contribution rate set government-wide, for the entire current complement of MWA employees until they retire, and (b) the amount estimated by the Office of Personnel Management (OPM) that would be necessary to pay the full cost of benefits for these employees. It is not a number that individual Federal agencies normally keep track of. It arose out of discussions with OPM on the feasibility of allowing MWA employees to retain their participation in the Federal retirement system.

The concept, quite simply, is to allow MWA employees to remain in the retirement system, but to have the new airport authority pay the estimated shortfall between future contributions to the Retirement Fund on behalf of the employees and the actual amounts that would need to be contributed on behalf of such employees to keep the system on a full cost recovery basis. Using a discount rate of 9 percent, which is the rate of interest that the Retirement Fund currently earns with new investments in the Treasury, we estimate that this future shortfall will have an estimated present value of about $37 million at the time of the transfer. The Administration's proposed transfer bill, S. 1017, provides that the new airport authority would make a one-time payment of this estimated $37 million to the Federal Government within its first year of operation. This would be funded from the authority's initial bond issue and would be in addition to the estimated $47 million payment to cover the so-called "hypothetical debt."

Two-Year Job Security Provision

In the formulation of the Administration's transfer proposal, there was considerable discussion of employee rights and benefits. This was an area that was examined in some depth last year by the Holton Commission. In fact, one of the Commission's four recommendations was that "pay levels, pensions and other benefits for present employees should be preserved." In its discussion of this recommendation, the Commission further indicated that "MWA employees should retain any federal employment rights for a period of two years."

Section 8(a) of S. 1017 implements this recommendation of the Holton Commission. As was provided by Congress to Alaska Railroad employees when they recently shifted from Federal employment, it guarantees for a 2-year period beginning on the date of the transfer:

- retention in current jobs of all employees who agree to transfer to the authority;
- pay levels at least equal to those in effect at the time of transfer;
- transfer of accrued annual and sick leave balances;
- at least one life and three health insurance plans that are "reasonably comparable" to those currently offered to MWA employees; and
- adoption of all labor agreements in effect at the time of transfer.

Labor-Management Relations

We would not anticipate any major changes in the structure of labor-management relations as a result of the creation of a new regional airport authority. As noted above, labor agreements are one of the specific areas that are guaranteed under Section 8(a) to carry forward for 2 years from the date of transfer, or until they expire, if sooner. Section 8(b) then provides that any agreements that do expire are to be renegotiated during the 2-year period, unless the parties agree otherwise.

Other Rights and Benefits

As previously noted, essentially all current rights and benefits of the existing MWA employees would be preserved under S. 1017 for a period of 2 years. There may be minor gaps in this coverage, but we are not aware of any major omissions. One such area is annual and sick leave, where the bill provides that all leave balances would transfer with the employee to the new authority, but it does not indicate at what rate the employee would earn leave under the new authority. It would seem quite likely that the new authority may allow leave to accrue at the same rates during this 2-year period, but the legislation does not specifically guarantee it.

We appreciate the opportunity to provide this additional information to the Subcommittee in its deliberations on S. 1017.

Montgomery County Government
ROCKVILLE, MARYLAND 20850

Charles W. Gilchrist
County Executive
(301) 251-2500
TTY 279-1083

July 11, 1985

Honorable Charles McC. Mathias, Jr.
Chairman, Subcommittee on Governmental Efficiency
and the District of Columbia
Washington, D.C. 20510

Dear ~~Senator Mathias~~ Mac:

I am writing to express my strong opposition to S.1017, the legislation which was the subject of hearings before your Subcommittee on Wednesday, July 10, 1985. I am sorry I could not be present at the hearings but I would request that you enter this statement into the hearing record

In expressing my opposition to this legislation, I am joined by R. Scott Fosler, a member of the Montgomery County Council and a member of the Holton Commission on Airports, the advisory group formed by U.S. Transportation Secretary Dole whose proposals became the basis for S.1017. I might add that Mr. Fosler joined Senator Sarbanes, Congressman Hoyer and Governor Hughes, fellow members on the Holton Commission, in issuing a minority position report in opposition to the Commission's final report.

At the outset let me say that I concur with the premise that the Federal Aviation Administration should not be in the business of operating airports and the local control of Dulles and National Airports should be enhanced. But I disagree with the mechanism proposed in S.1017. The single, independent operating authority proposed in S. 1017 would, in theory, provide each jurisdiction with fair and effective representation. But, in fact, the proposed composition of five members from Virginia, three from the District of Columbia, two from Maryland and one appointed by the President, would leave Maryland with potentially less control over the two airports than it currently has.

The Virginians argue that since both airports are located in Virginia they should be given greater representation. I disagree. I believe that both airports form a regional network that affects the economy, environment and safety of every jurisdiction in the region. A recent study by the Metropolitan Council of Governments clearly showed the regional nature of these two airports. Washington National, although located in Virginia, had 63% of its passenger trips that originated in the Washington area booked by passengers from outside the State of Virginia. Montgomery County generated 15% of National's passengers, nearly as many as the 17% from Fairfax County and more than the 14% from Arlington County or the 4% from Alexandria. Fully 44% of all passengers at National came from the District of Columbia.

At Dulles, Virginia held a slight edge with 51% of the passengers. The District accounted for 26% and Maryland 23% of the Dulles traffic.

Overall, more than 60% of the metropolitan area passengers using the two airports originated in the District and Maryland.

I, therefore, would recommend that any regional board governing the two airports should have equal representation from the affected jurisdictions. I strongly support the proposal of Congressman Hoyer and the other Maryland delegates to the Holton Commission which calls for National Airport to be owned and operated by an interstate authority composed of three members each from the District of Columbia, Virginia and Maryland with possible representation from the Federal government. Dulles Airport would be transferred to the State of Virginia to be operated under an arrangement agreeable to the Virginians.

Another proposal that bears serious consideration is the one put forth by Mr. Fosler which calls for Dulles and National Airports to be governed and operated by a single authority that genuinely reflects the regional interests of the entire Washingtion metropolitan area. Mr. Fosler suggests a regional board composed of three members each from Virginia, the District, and Maryland and two members from the federal government.

I believe either of these proposals argues far more strongly for equal representation on a regional governing body than the arrangement proposed in S.1017.

At this time, I would also like to support other modifications to S.1017 that were offered by the Mayor of Baltimore and my fellow County Executives in a recent letter to your Aviation Subcommittee. We proposed that:

1. The legislation must be amended to assure that all property transferred from the federal government to the regional authority be valued at its fair market value which is currently estimated to be at least $350 million.

2. The legislation must recognize that there are three major airports in the Washington region and that the Baltimore-Washington International Airport must be considered in all regional authority actions. The legislation must contain restrictions on forcing airlines into quid pro agreements on the use of Dulles and National or forcing airlines to reduce BWI service in return for continued or increased Dulles or National service.

3. The legislation must require that any changes in the current passenger cap, slot per hour limits or distance limits now in effect at National be subject to an independent regional economic and environmental impact analysis.

4. The legislation must include a provision that the proceeds from the disposition of land transferred from the federal government for other than airport operating purposes be reimbursed to the federal government.

In conclusion, let me reemphasize that I support the underlying concept of S.1017, to transfer control of Dulles and National Airports to local interests. But I do not believe that the proposed plan to give Maryland 2 of 11 votes on a "regional" authority is either fair or equitable to the Maryland residents who comprise approximately 40% of the greater Washington area.

Sincerely,

Charlie

Charles W. Gilchrist
County Executive

CWG/cm

STATEMENT OF THE
NATIONAL BUSINESS AIRCRAFT ASSOCIATION, INC.
ON S. 1017
THE BILL TO TRANSFER
THE METROPOLITAN WASHINGTON AIRPORTS
TO AN
INDEPENDENT AIRPORT AUTHORITY

SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY AND THE DISTRICT OF COLUMBIA
COMMITTEE OF GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

JULY 10, 1985

The National Business Aircraft Association, Inc. consists of more than 2,900 companies which own or operate aircraft in support of their principal business purposes. Collectively, these companies operate about 5,500 aircraft of all types, ranging from light piston twin versions to intercontinental-range turbojets. Among airports used by the business aircraft fleet Washington National and Dulles are extremely important. Baltimore-Washington International Airport is also very important from a business aircraft use standpoint.

The association wishes to record its endorsement of S. 1017 and urges early action by the Congress to implement it.

A senior member of NBAA's staff served as a member of the special commission which was named in 1984 by the Secretary of Transportation to bring forth recommendations on the matter. Through active participation at each step of the way NBAA is accordingly aware of the various arguments for and against transfer.

As a result we believe the Commission's Report, which has been faithfully translated into legislative proposals, is the best long term solution to the question of ownership and management of National and Dulles airports.

Further, NBAA feels that the provisions which the bill makes for carefully examining progress and actual operating conditions during the term of an extended lease arrangement constitute a valuable "insurance policy" whose terms can be invoked if for some reason the transfer process does not work out satisfactorily.

Because the flights conducted by its member companies are almost exclusively on a private carriage basis, NBAA is not in a position to address many of the Subcommittee's expressed concerns on an informed or experienced basis. The interests of the certificated air carriers are central to most of these concerns and we leave it to them to furnish you with data which deal with such matters as passenger caps, operating revenue, competition among or for air carriers and level of service to be offered to the traveling public.

We would, however, like to offer a few specific comments on S. 1017 and in doing so will directly address some of the areas about which the Subcommittee has expressed its interest.

1). We believe that the lease provisions called for in the bill are appropriate and that a total payment of about $47 million dollars is consistent with the restrictions placed on use of the property.

2). We accept as pragmatic necessities the provisions which the bill places on retention of certain operating restrictions. We do, however, wish to state that NBAA is fundamentally opposed to the Federal Aviation Administration's high density rules which impose "slot" limitations on aircraft operations, by category, at a handful of airports, Washington National included. We further take issue with the precedent setting nature of noise limitations imposed at Washington National. Notwithstanding the Federal government's statements that these limitations were tailored to National Airport's singular situation, they are being used widely as "models" for other airports whose actual environmental situations bear no relationship to that of the Washington area.

3). NBAA hopes that it will be afforded the opportunity of playing a prominent role in advising the contemplated Regional Authority on the needs and plans of business aircraft owners. Since such aircraft compose a significant portion of air traffic in the region we feel we can bring informed expertise and legitimate representation to the table.

4). We fully endorse the provisions of Section 7 which guarantee that the properties will be used only for airport purposes.

5). We endorse that portion of Section 7 which guarantees that all facilities of the airports will be available to the public, "including commercial and general aviation" during the lease term. We take particular note that this provision calls for use of facilities "on fair and reasonable terms and without unjust discrimination."

6). We feel that a term of 35 years is fully sufficient to satisfy the Congress, the public and the users of the airports as to the initial wisdom in making the transfer. We further feel that the makeup of the proposed Regional Authority will produce balanced and rational policies governing operation of National and Dulles.

NBAA stresses its belief that transfer of the operating authority of the airports will result in their being improved much more extensively and rapidly than would be the case under continued Federal operation. It is frustratingly obvious that National Airport's terminal, parking and landside access problems are very severe. That major improvements have not been undertaken is in our view a direct result of the politicized state in which the airport is currently held, a state which results in inaction.

As more and more commercial and business aviation traffic utilizes Dulles because of growth in demand more than of shift from National, the urgent need for substantial improvements at Dulles becomes apparent. Business aviation's future growth will best be accommodated at both airports through the proposed legislation.

Finally, we wish to record our deeply felt belief that National and Dulles airports in reality constitute a single resource. Their future development must be accomplished on an integrated policy basis which considers how the missions of the two airports can on a unified basis best serve the needs of the region. For this reason we feel very strongly that a transfer from Federal operating authority must necessarily involve both airports. They are, to us, inseparable.

NATIONAL CAPITAL PLANNING COMMISSION
1325 G STREET N.W.
WASHINGTON, D.C. 20576

In Reply Refer To:
NPCP File No. L9912

JUL 9 1985

The Honorable Charles McC. Mathias, Jr.
Chairman, Subcommittee on Governmental
  Efficiency and the District of Columbia
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Mathias:

This letter is in response to your request for the Commission's written testimony for the July 10th hearing before the Subcomitteee on Governmental Efficiency and the District of Columbia of the Senate Committee on Governmental Affairs on S. 1017, the "Metropolitan Washington Airports Transfer Act of 1985".

The National Capital Planning Commission, under the National Capital Planning Act of 1952, as amended, (40 U.S.C. 71-71i, 72, 73 74 and D.C. Code, Secs. 1-1001 to 1013) (hereinafter referred to as "the Planning Act"), is the central planning agency for the Federal Government in the National Capital Region. The Planning Act has as its purpose the securing of comprehensive planning for the physical development of the National Capital. The National Capital Region, as defined by the Planning Act, is the District of Columbia; Montgomery and Prince George's Counties in Maryland; Arlington, Fairfax, Loudoun, and Prince William Counties in Virginia; and all cities within these counties. As the seat of the Federal Government, the National Capital, which is defined as the District of Columbia and the Federal lands within the National Capital Region, requires special planning and design consideration by the Federal Government in its programming and development activities.

The NCPC has three major functions in the National Capital Region:

1) comprehensive planning to ensure the orderly development of the National Capital and to preserve its important natural and historical features;

2) master plan and program review for Federal installations; and

3) multi-year Federal capital improvements programming for the Region.

In carrying out these functions, the NCPC works with the Federal departments and agencies and state, regional and local jurisdictions.

The Comprehensive Plan for the National Capital (hereinafter referred to as "Comprehensive Plan") is a statement of goals, planning criteria and policies for the growth and development of the National Capital and consists of both Federal and District elements. As required by sec.4.(a) of the National Capital Planning Act of 1952, as amended, the Commission prepared Federal elements of the Comprehensive Plan which established the following, inter alia, as goals of the Federal Government: "Washington National Airport should be phased out as a major commercial airport at the earliest practical time and commercial air carrier operations removed to other existing commercial airports in the Baltimore-Washington Bi-Region in order to reduce the adverse environmental and other impacts on the Nation's Capital. Passenger volumes at National Airport should be reduced to one-half current annual volumes and a reassessment made of the appropriate future use of the airport when this objective has been achieved or by 1995." Comprehensive Plan for the National Capital, Federal Facilities Element, NCPC, Washington, D.C. adopted March 3, 1983, p. 22.

S. 1017 would authorize the Secretary of Transportation to negotiate a 35-year lease, for the transfer of authority over Washington National and Washington Dulles International Airports to an independent airports authority. For the duration of the lease, the airports are to be operated as primary airports serving the Metropolitan Washington area. At the end of the lease ownership of the airports will pass to the airports authority.

By requiring that Washington National be retained as a primary airport in the area, the Bill is inconsistent with this Commission's policy. This policy reflects the Commission's longstanding concern for the adverse effect of jet aircraft noise on the Mall, the major monuments and memorials in West Potomac Park, the Washington Monument grounds, and the rest of the Monumental Core of the Nation's Capital.

The present restrictions at National Airport, such as the perimeter rule, hourly slots, night-time noise limits and the passenger cap should be further reduced to meet this policy objective. One way to accomplish this is to begin phasing down the passenger numbers to eight million by 1995, as proposed by the policy. The adverse impact of jet aircraft noise on the Monumental Core could be reduced by almost one half within the next decade.

The Commission, through the Comprehensive Plan for the National Capital, has identified other significant federal interests relating to these two airports. With respect to National Airport, strategically located on the Potomac River across from the Monumental Core of the Nation's Capital, these include protection of the scenic and parklike character of the waterfront, protection of the important views from the Mall, protection of the character and views from the George Washington Memorial Parkway, and prevention of additional fill in the Potomac River. As stated in the Federal Facilities element of the Comprehensive Plan, "future development of the site of Washington National Airport should be planned and designed to respect its location on the Potomac River, its high visibility, and its conspicuous role in the overall urban design framework for the L'Enfant city and environs."

In the Comprehensive Plan, Washington Dulles International Airport and access road are designated as major national and international gateways to the Nation's Capital. The protection of the landmark qualities of the entire airport, which has been determined to be eligible for the National Register of Historic Places and the scenic parkway characteristics of the access road, are major Commission concerns. The Commission's policies are that the original Saarinen "design and development concepts in the Master Plan for Dulles be followed in future planning and development of the existing terminal building composition as well as the airport as a whole."

S. 1017 would not disturb the present Federal ownership of the airports, but it would exempt them from being subject to any Federal laws not applicable to a state-owned or privately-owned airport. Specifically, Sec. 9(a)(5) of the Bill revokes the Commission's review authority under Sec. 5 of the National Capital Planning Act of 1952, as amended, 40 U.S.C. 71d. However, the Authority must "consult with" the Commission and the Advisory Council on Historic Preservation prior to making any alteration to the Dulles terminal or with the Commission alone prior to undertaking development that could alter the skyline of National Airport when viewed from the opposing shoreline of the Potomac River or from the George Washington Parkway. We prefer that the legislation provide for Commission review of future plans and development, as now exists under 40 U.S.C. 71d, for the protection of these important Federal interests for as long as the airports remain in Federal ownership, but we are pleased with the requirement for consultation with the Commission for development affecting Dulles terminal and the skyline at National Airport.

However, as we stated in our earlier response, the Commission's Comprehensive Plan policies are concerned with the protection of the integrity of the Saarinen plan for Dulles and the landmark qualities of the entire airport, which has been determined eligible for the National Register of Historic Places. Though contrary to the Administration's Bill, we would recommend that the scope of the consultation process in Sec. 9(a)(5) of the Bill should include all of Dulles Airport.

Sincerely,

Reginald W. Griffith

(for) Robert J. Nash
Vice Chairman

NATIONAL CAPITAL PLANNING COMMISSION

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Chairman, Council of the
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Honorable David A. Clarke

EXECUTIVE DIRECTOR
Reginald W. Griffith

In Reply Refer To:
NCPC File No. L9912

July 25, 1985

The Honorable Charles McC. Mathias, Jr.
Chairman, Subcommittee on Governmental
Efficiency and the District of Columbia
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Mathias:

This is to supplement and clarify the previous report of the National Capital Planning Commission (NCPC) on S. 1017, the "Metropolitan Washington Airports Transfer Act of 1985", to respond to the report submitted by the United States Department of Transportation to the Subcommittee.

The Department of Transportation (DOT) report (submitted by A. Linwood Holton, Jr.) appears to be based on the premise that the National Capital Region is no different from any other metropolitan region insofar as airport management and policies are concerned. In the view of the NCPC, the National Capital Region is unique among all of the metropolitan areas in the United States. It is unique because it contains the Nation's Capital, the seat of the Federal government. As such, this region contains a significant concentration of high level and important officials in all three branches of the Federal government - that depend on the continued effective functioning of the air transportation facilities serving the Region. So also do the many foreign governments, international agencies, and visitors who come to the Nation's Capital to do business with the Federal government.

Thank you for this opportunity to supplement our previous statement.

Sincerely,

Donald F Bozarth

for Robert J. Nash
Vice Chairman

Hon. Patricia Ticer, Chairman
Alexandria
Margaret Vanderhye, Vice-Chairman
Fairfax County
Joseph B. Wisniewski, Treasurer
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Planning District Commission

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As of July 1, 1985

July 25, 1985

Honorable Charles McC. Mathias, Jr.
Chairman, Subcommittee on Governmental
 Efficiency and the District of Columbia
Senate Hart 442
Washington, D.C. 20510

Dear Senator Mathias:

The Northern Virginia Planning District Commission (NVPDC), the substate comprehensive planning agency for Northern Virginia, takes this opportunity to comment on S. 1017, Transfer of Airports, wholeheartedly supporting the proposed transfer of the Metropolitan Washington Airports (MWA) to a regional authority. NVPDC endorses the transfer options embodied in the current legislation as equitable measures to promote a consensus among the competing interests whose livelihoods are influenced by the operation of these airports.

The NVPDC believes that the transfer of the MWA from management by the Federal Aviation Administration to a regional authority would create an institutional arrangement more conducive to serious consideration of everyone's positions concerning air transportation specifically and a balanced transportation system for the region in general.

The NVPDC considers it most important that the two airports continue to be operated under a single entity so that consistent policies will be carried out to enhance the individual roles of the airports, with Washington Dulles International having the role of the primary air carrier airport from which international and long-haul flights will operate, and Washington National Airport serving as the short-haul airport for the region.

Thank you for this opportunity to comment. We will continue to follow the progress of the transfer legislation with interest.

Sincerely,

Patricia S. Ticer

Patricia S. Ticer
Chairman

Strengthening Local Government

THE PORT AUTHORITY OF NY & NJ

Aviation Department
Robert J. Aaronson, Director

One World Trade Center
New York, N.Y. 10048
(212) 466-7453
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July 24, 1985

The Honorable Charles McC. Mathias, Jr.
Chairman, Subcommittee on Governmental
Efficiency and The District of Columbia
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Mathias:

This is in response to your June 24, 1985 letter to Peter C. Goldmark regarding the proposed transfer of the Metropolitan Washington Airports to an independent authority. I am pleased to have the opportunity to respond to your request for information on the Port Authority of New York and New Jersey and its airport operations as well as my personal views on the transfer legislation (S. 1017). Our replies regarding the specific information you requested are attached.

As the Director of Aviation for The Port Authority of New York and New Jersey, I am responsible for overseeing the operation of the Authority's aviation facilities which include John F. Kennedy International, Newark International and LaGuardia Airports. Last year these airports served almost 75 million passengers; some 15 million of these passengers were traveling to or from overseas destinations.

Prior to my current position I served as Associate Administrator for Airports at the Federal Aviation Administration between 1978 and 1981 where my duties included overall responsibility for the Metropolitan Washington Airports. Between 1972 and 1978 I was the Maryland State Aviation Administrator and was responsible for the development and operation of Baltimore - Washington International Airport.

On the basis of this experience, I endorse the concept of the transfer of Washington National and Washington Dulles International airports to a public authority form of operation. However, I have some concerns about particular provisions of the proposed transfer legislation and can appreciate the concerns raised by other parties. I support federal divestiture of the Metropolitan Airports because these airports tend to consume an inordinate amount of management time and resources at both the FAA and the Department of Transportation and thus detract from their responsibility to oversee and develop the national air transportation system. The management of these agencies are placed in situations in which they, as airport operators, can find themselves in a difficult position with their regulatory responsibilities vis a vis other airports. Transfer to a public authority would ameliorate this problem and, if properly financed, the resulting authority need not have an unfair competitive advantage over other regional airports.

Federal Government control of these vital facilities may have affected the development of their true potential as engines of economic development for their region and have clouded the airports' response to community needs. Lastly, I believe the Metropolitan Washington Airports have the ability to be self-supporting entities and no longer need to be wards of the Federal Government.

Addressing the transfer legislation itself, I believe the powers granted to the authority should be unencumbered and that the authority should have the proprietary power to determine its own policy on nighttime noise rules. It should also have the power to vary the hourly quotas on operations to reflect changes in capacity in conjunction with the FAA (in its role as the administrator of the national air transportation system) and taking appropriate account of the interest of airport users and the community. Capacity is dynamic and should reflect changes in technology. A strong, competently staffed public authority should have the wherewithall to achieve the proper balance between the interest of the community and the airport users regarding these issues. The inclusion of mandated provisions regarding nighttime noise and hourly capacity will limit the authority's ability to manage and develop these vital facilities.

Sincerely,

Bob Aaronson

Robert J. Aaronson
Director of Aviation

Port Authority of New York and New Jersey - Overview

The Port Authority is a body corporate and politic created in 1921 by Compact between New York and New Jersey with the consent of the Congress of the United States. In the Compact, the two States recited their confident belief that a better coordination of the terminal, transportation and other facilities of commerce in the Port of New York would result in great economies benefiting the nation as well as the States and that the future development of such facilities would require the cordial cooperation of the States in the encouragement of the investment of capital and in the formulation and execution of necessary plans. They recited that such results could best be accomplished through the cooperation of the two States by and through a joint or common agency, and to that end, after pledging, each to the other, faithful cooperation in the future planning and development of the Port of New York, they created the Port of New York District and The Port of New York Authority, the name of which was changed, effective July 1, 1972, to "The Port Authority of New York and New Jersey".

In general, the purpose of the states in establishing the Authority was to provide transportation, terminal and other facilities of commerce within the Port of New York District and for such purpose they have from time to time authorized specific facilities and have given the Authority power to borrow money upon its bonds or other obligations, to establish charges for the use of such facilities and in connection with specific facilities, to acquire real and personal property by condemnation or the exercise of the right of eminent domain or otherwise. The Port district comprises an area of about 1,500 square miles in both States, centering about New York Harbor. The Port District includes the Cities of New York and Yonkers in New York State, and the Cities of Newark, Jersey City and Elizabeth in the State of New Jersey, and over 200 other municipalities, including all or part of seventeen counties, in the two States.

The Port Authority consists of twelve Commissioners, six from each State, appointed by the respective Governor thereof with the advice and consent of the respective State Senate. The actions the Commissioners take at Port Authority meetings are subject to gubernatorial review for a period of ten days (Saturdays, Sundays and public holidays excluded) and may be vetoed by the Governor of their respective State. The Governors' veto has been exercised from time to time.

The total acreage of the airports controlled by the Authority

JFK International	4930 acres
LaGuardia	650 acres
Newark International	1991 acres

Teterboro Airport, located in Bergen County, New Jersey, is a general aviation airport which is owned by The Port Authority and operated by Pan American World Airways Inc. It consists of 867 acres.

Acreage by Usage (1984)

JFK International	Acres
Public Aircraft Facilities	2234
Passenger Terminals and Parking Central Terminal Area: 601 Parking Lots 8&9: 56 On-Airport Highways: 160	817
Cargo	430
Hangars & Maintenance	436
Ancillary	273
Uncommitted Land	436
On-airport Water Areas	304
Total	4930

LaGuardia Airport	Acres
Public Aircraft Facilities	330
Passenger Terminals and Aprons	69
Commuter Terminal	7
General Aviation Apron	28
Overnight Aircraft Parking (Ramp)	38
Aircraft Maintenance	12
Ramp Equipment Maintenance	1
Public Parking	45
Employee Parking	25
Cargo	7
Airport Related Functions	33
Community Recreation	21
Undeveloped	34
Total	650

Newark International Airport	Acres
Public Aircraft Facilities	1003
Passenger Terminal and Aprons	213
Public Parking	156
Employee Parking	16
Overnight Aircraft Parking	41
Aircraft Maintenance and General Aviation	64
Cargo	74
Airport Related Functions	17
Ancillary	150
Right of Way Roadways	191
Undeveloped	66
Total	1991

Sources and size of revenues to the Authority for airport operations and maintenance.

Gross revenues for each airport for the year 1984 were:

	(In Millions)
JFK International	$201
LaGuardia	115
Newark International	144

Approximately 70% of revenues are derived from airline and airline related operations.

Created to be a self-supporting agency lacking the power to tax or pledge the states' credit, the Port Authority raises the necessary funds for the improvement, construction, acquisition, and on-going maintenance of its facilities on the basis of its own credit, its reserve funds and its future revenues. To effectuate its programs, statutes have recognized the principle of pooling revenues from facilities with established earning power to aid in the development of new projects. As a result, the financial statements of the Port Authority are consolidated, with the combined revenues for all facilities available to pay operating expenses, capital programs, debt service on consolidated bonds, and maintain reserves.

- Lease Terms and Conditions

John F. Kennedy International and LaGuardia Airports are leased from the City of New York pursuant to an Agreement of Lease which commenced on June 1, 1947, and as amended from time to time, now expires on December 31, 2015. The Port Authority has full power and discretion with respect to the development, charges, financing, operation, and improvement of the Airports provided everything is done in its own name and on its own credit. The Port Authority pays a guaranteed annual rental to the City plus a percentage of annual net revenues determined pursuant to the Lease formula.

Newark International Airport is similarly leased from the City of Newark, pursuant to an Agreement of Lease which commenced on March 22, 1948, includes Port Newark and as amended from time to time, now expires on December 31, 2031. The Port Authority has full power and discretion with respect to the development, operation and improvement of the Airport provided everything is done in its own name and its own credit. The Port Authority pays a guaranteed annual rental to the City plus a percentage of net profits determined pursuant to the Lease formula.

- Number of commercial carriers

	Scheduled Airline	Commuters	Total
JFK International	70	12	82
LaGuardia	19	15	34
Newark International	26	13	39

- Hub Airlines

JFK International	PanAm, TWA
LaGuardia	None
Newark International	People Express

Number of airport operations per day

JFK International	825
LaGuardia	955
Newark International	1050

The Port Authority presently does not impose any restrictions on the number of airport operations per hour and day. However, since 1968 we have imposed either a peak-period minimum flight fee or a surcharge on general aviation to help relieve congestion at our major airports but have not imposed these charges at Teterboro Airport. As of February 1, 1985, general aviation aircraft operations are subject to a $100 flight fee surcharge at Kennedy International Airport between 3:00 p.m. and 10:00 p.m. every day and at LaGuardia Airport between 8:00 a.m. and 9:00 p.m. every day. At Newark International, a $50 surcharge applies between 8:00 a.m. - 10:00 a.m. and 5:00 p.m. - 8:00 p.m. daily. The Newark International surcharge is currently under study.

The number of hourly operations at our airports are subject to the FAA's High Density Traffic Airports Rule; FAR 93 Subpart K. The rule imposes hourly quotas at our three airports as well as Chicago O'Hare and Washington National although the rule is suspended at Newark. We support continuation of this rule until capacity is increased to accommodate demand and the revision of the hourly quotas by the FAA in consultation with the airport proprietor and the users when conditions permit.

Effective October 1, 1984, the Port Authority imposed a rule, modifying and formalizing a long established practice, limiting LaGuardia Airport usage for non-stop domestic flights and international flights pre-cleared by the Federal inspection services only to and from points that are located within 1,500 statute miles of LaGuardia. The mileage limitation does not apply to flight operations performed on Saturdays. This action was based on the Board of Commissioners finding and determination that LaGuardia should continue to be used primarily for business travel and for trips to and from short and medium haul destinations.

Total number of passengers served annually by each airport

	1984	12 Months Ending May, 1985
	(In Millions)	
JFK International	29.9	30.3
LaGuardia	20.3	20.7
Newark International	23.7	26.4

In order to avoid undue congestion and permit better planning and staffing, the Port Authority requests those airlines serving the International Arrivals Building at Kennedy Airport to limit the number of arriving passengers to 3,000 per hour between 2:00 p.m. and 11:00 p.m. during the peak summer travel season, June 15 through September 15. The airlines comply with the request under an exemption from the anti-trust laws granted by the Civil Aeronautics Board and now the Department of Transportation. The latest approval was issued on June 12, 1985 in Order 85-6-40.

Nighttime Noise Restrictions

The noise restrictions now in force are at Kennedy International Airport on take-off between the hours of 10:00 p.m. and 7:00 a.m. During these hours, take-offs must be made on runways 22L, 22R or 31L unless specific permission is received from the airport manager to use another runway.

Prior to January 1, 1985 the effective date of FAA and Port Authority final rules, the PA's nighttime rule, effective January 1, 1983, permitted nighttime operations (11:00 p.m. - 6:00 a.m.) by only stage 2 or stage 3 aircraft at Kennedy, LaGuardia and Newark airports.

- Landing fees imposed by the Authority and their percentage of total revenues.

The landing fees are based on negotiated formulae with the basic lessee airlines at each airport. The current 1985 billing rates are as follows:

JFK International	$1.00 per thousand lbs. take off weight
LaGuardia	2.30 per thousand lbs. landing weight
Newark International	1.69 per thousand lbs. take off weight

At the end of each year, final rates are determined on the basis of use and costs.

In 1984 landing fees were about 20% of total aviation revenues.

- Plans for Future Expansion

The Port Authority is expanding and modernizing its airports to accommodate a 50 percent increase in passenger traffic over the next decade and to maintain our competitive position. Governor Cuomo of New York, in his State of the State message emphasized that at his request, the Port Authority "has made major improvements at Kennedy and LaGuardia Airports its highest priority over the remainder of this decade." The plans for both airports are expected to cost at least $1.5 billion. JFK may not be able to handle the 45 million passengers we expect in the next 10 years without a major redevelopment effort. Elements of the renewal plans include: terminal expansion; a "people mover system"; a transportation center and a major redesign of the internal roadway system. Improved public access systems to the airport are also required. LaGuardia Airport must also expand to accommodate present demand, let alone the growth we expect. Work has begun on a major reconstruction and expansion of the airport's Central Terminal Building, large-scale roadway improvements and a new East End Terminal. Newark International Airport underwent an extensive modernization program which was completed in the early 1970's. However, since People Express began utilizing Newark as its hub, growth at the airport has accelerated beyond our expectations and we have entered into a lease agreement with People Express which will add about 40 new aircraft gate positions to the airport as part of an overall $400 million capital improvement program.

Market Served by the Authority

The geographical market served by the Authority consists of the five boroughs of New York City; Brooklyn, Bronx, Manhattan, Queens and Staten Island, the four suburban New York counties of Nassau, Rockland, Suffolk and Westchester, and the eight counties of northern New Jersey; Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset, Union and Fairfield County, Connecticut. Other commercial airports operating within this region include MacArthur, Westchester and Stewart Airports.

THE PRINCE GEORGE'S COUNTY GOVERNMENT

(301) 952-3820

County Council
WILLIAM B. AMONETT
Chairman

July 9, 1985

The Honorable Charles McC. Mathias, Jr.
United States Senate
387 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator Mathias:

The Prince George's County Council wishes to express its strong objection to the legislation that proposes to transfer ownership and operational control over National and Dulles International airports to a local authority. We are alarmed at the confidence expressed by both Secretary Dole of the Department of Transportation and former Governor Holton, who chaired the Commission which proposed the legislation, that the legislation will pass during this Congressional session.

We object to the concept of transferring control over the airports from Federal to local authority. We are convinced that the composition of the authority, — even with equal representation for Maryland — stacks the deck against the interests of Maryland residents. A strong case in point was the way in which Virginia and D. C. representatives to the Council of Governments united to limit debate on the results of the National Airport scatter plan test and, subsequently, to reject implementation of the scatter plan concept. Any transfer to this authority would mean that all of the impact of noise could be directed over the Maryland side of the river.

We are also concerned about the potentially adverse impacts on Baltimore/Washington International Airport and, similarly, the economic benefits that will be enjoyed by Virginia at the expense of the taxpayers at-large.

Obviously, all three jurisdictions have a strong interest in flight operations at the two airports, and particularly at National. Accordingly, we urge the Maryland Congressional delegation to work toward rejection of the legislation or, alternatively, amendment of it to give Maryland an equal footing with our Virginia and D. C. neighbors. Thank you for your consideration of our perspective.

Sincerely,

William B. Amonett
Chairman

cc: Maryland Congressional
Delegation

County Administration Building — Upper Marlboro, Maryland 20772

Regional Airline Association
1101 Connecticut Avenue, N.W.
Washington, D.C. 20036
Telephone: 202 857-1170
ARINC "WASRAXD"

RECEIVED AUG 27 1985

July 10, 1985

The Honorable Charles McC. Mathias, Jr.
Chairman
Subcommittee on Government Efficiency
and the District of Columbia
387 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Mathias:

Thank you for your invitation to provide for the record the views of the Regional Airline Association (RAA) regarding the proposed legislation to transfer the Metropolitan Washington Airports to an independent authority. The RAA represents approximately 100 regional and commuter air carriers who provide the nation's short-haul and small community air service. Of the carriers serving National and Dulles Airports, eighteen are regional/commuter airlines.

The RAA supports divestiture of these airports. The federal budgetary process is simply too cumbersome to respond effectively and expeditiously to the airside and terminal improvements that these airports need. The creation of an airport authority as proposed by the Advisory Committee which studied the issue in detail will, in our view, provide responsible regional administration. It will be capable of developing and expanding these airports in a manner consistent with the needs of the traveling public and local communities. We urge the Congress, therefore, to take action this session on this important legislation.

Regional and commuter airlines play an important role in linking dozens of mid-atlantic communities to Washington, D.C. -- communities that otherwise would be isolated from the Nation's Capital. This is particularly true under airline deregulation. Many of these communities were historically served by the major airlines, but now under deregulation, have transitioned to regional/commuter service.

*Formerly the
Commuter Airlines
Association of
America*

It is important that the proposed change not result in any reduction in access by regional carriers, particularly at Washington National Airport, and we have been assured that this will be the case. Under these conditions, it is clear that a Metropolitan Washington Airports Authority is the preferred method for administering these airports.

We participated in the Advisory Commission's deliberation and have reviewed the provisions of the proposed legislation and support the language contained therein.

Sincerely,

Duane H. Ekedahl
President

/dw

STATEMENT OF
THOMAS G. MORR
BEFORE THE
SUBCOMMITTEE ON
GOVERNMENTAL EFFICIENCY
AND THE
DISTRICT OF COLUMBIA
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
JULY 10, 1985

Mr. Chairman, members of the Subcommittee, I am submitting these comments on behalf of the membership of the Washington Dulles Task Force and I appreciate this opportunity to present our views on the subject of S.1017, legislation to provide for the transfer of the Metropolitan Washington Airports to an independent authority.

Washington National and Washington Dulles International, currently operated by the Federal Aviation Administration as the Metropolitan Washington Airports, are badly in need of major capital expenditures. Washington National needs an improved roadway network, expanded parking, general refurbishment and a link between the subway station and the airport terminal. Washington Dulles has insufficient aircraft parking and passenger handling capacity to accommodate the tremendous growth in air traffic occurring at the airport.

The Metropolitan Washington Airports are the only commercial airports in the United States owned and operated by the federal government. As such, they are unable to participate in the Airport and Airways Improvement Trust Fund. Construction of new facilities at these airports is dependent on direct federal appropriations from the general fund. Unlike most airports, revenues generated at Dulles and National are returned to the U.S. Treasury rather than being retained to be used for airport purposes.

As a result of this unique arrangement, as federal deficits have mounted it has become increasingly difficult to obtain needed funding for capital improvements necessary to provide quality air transportation to the Nation's Capital.

Recognizing the significant need for capital improvement and the severe budget limitations facing the national government, U.S. Secretary of Transportation Elizabeth Dole has initiated a plan to transfer the Metropolitan Washington Airports from the Federal Aviation Administration to an independent Metropolitan Washington Airports Authority. This proposed transfer would shift responsibility for the operation of these aviation facilities to a Board of Directors whose primary mandate would be to assure convenient, frequent and high quality air transportation to the Mid-Atlantic and the Nation's Capital. Such a change would place the management of these two airports in the hands of those with the greatest interest in assuring a high standard of air transportation for the region. The federal interest in providing access by air to the Nation's Capital would best be served by creating an organization whose sole reason for being is to fulfill that responsibility. At present the ultimate responsibility for the Metropolitan Washington Airports is an ancillary duty of the Federal Aviation Administrator and the Secretary of Transportation. Operation of the airports quite rightly takes a back seat to broader national aviation issues.

A major advantage of the proposed transfer is that airport revenues would be retained and could be used to support bond financing for badly needed capital improvements. Such a change would eliminate the need for federal appropriations for the operation of these air transportation facilities and would provide an ongoing mechanism to fund needed capital improvements. The effect of this change would be to shift from the taxpayer to the airport user the cost of financing the services available to air travelers in and out of the Washington region.

The ability to issue bonds would give the proposed authority adequate flexibility to assure businesslike management of the airports. This would make it possible for the airport management to be more responsive to change in the airline industry and to meet the air travel needs of the region. The Metropolitan Washington Airports should have the same ability to issue bonds to finance construction as other airports do nationwide. Like other airports, National and Dulles should be eligible for Airport Improvement Program funding.

The Task Force strongly recommends that the Metropolitan Washington Airports continue to be operated as a unit. Together the two airports provide a full pattern of service for the Washington region. Washington National serves the high-density traffic corridor in the Northeast and provides the bulk of short-haul traffic in this market. Washington Dulles has excellent service to the West, offers international flights and is growing to serve the short-haul market that is developing in the suburban counties near the airport.

If the two airports were placed under split ownership, neither airport would be able to effectively plan for its operation and development. The Metropolitan Washington Airports serve substantially the same market and decisions at one airport directly impact the other. The BWI service area is largely separate and distinct from the market in Washington. The Baltimore airport is located 32 miles from the center of downtown Washington, much farther from the Nation's Capital than Washington National or Washington Dulles. According to a survey conducted by the Metropolitan Washington Council of Governments (COG), over 75% of the air travelers using BWI, National or Dulles would prefer to use the Metropolitan Washington Airports.

But clearly there is ample air travel demand to support all three airports. The studies conducted by the Metropolitan Washington Council of Governements and the

Federal Aviation Administration indicate that air travel growth in the Baltimore and Washington regions by the year 2000 will range between twelve and twenty million enplanements annually. During CY 1984 there were in excess of twelve million enplanements at the three airports, therefore we believe the high end of those estimates is more realistic. Because there is little room for expansion at Washington National, most of that air travel growth in the region will occur either at BWI or at Washington Dulles providing both of these airports with significant air travel growth.

The proposed composition of the Metropolitan Washington Airports Authority represents a balance of interests that is sensitive to the needs of air transportation users, air transportation providers and the community, yet the authority has been structured so that it may act decisively. S.1017 requires a seven vote majority for approving the authority's budget and issuing bonds, which guarantees a broad concensus for major actions. Section 7 of the legislation provides a series of circumstances under which the government may reassert its control over the airports if the authority exceeds its mandate.

Retention of key portions of the Metropolitan Washington Airports policy as provided in the legislation assures a stable base for airline planning and will permit the transfer to occur in a sensible and organized way. The bill grants the proposed authority discretion over operating rules which would typically be established by an airport proprietor. FAA would retain the type of authority which it normally exercises at other airports. National's nighttime noise standards and perimeter rule would fall within the authority's descretion and National's operating slot limitations would be codified.

It is anticipated that the Metropolitan Washington Airports Authority would to spend over $334 million to lease the Metropolitan Washington Airports and provide needed capital improvements. Ultimately, the cost of these expenditures would be borne by the users of Washington National and Washington Dulles just as the State of Maryland expects to recover its $176 million investment in BWI through revenues generated at that airport. Such an expenditure by the proposed authority would relieve the federal government and the U.S. taxpayer of responsibility for financing the improvements needed to maintain high quality air transportation in the greater Washington area. Certainly the transfer to an independent authority with the requirement that these airports be operated as primary airports serving the region adequately protects for the government interest in quality air transportation to the Nation's Capital without artificially driving up the cost of air travel to and from greater Washington. If the airports were to be transferred for a purpose other than airport use, the government would be fully justified in seeking to maximize its return on investment.

Also, it has been estimated that it will take approximately $250 million to meet the immediate construction needs of both Washington's National and Dulles Airports. However, the long-range needs, particularly at Washington Dulles, will far exceed this amount. The Task Force is supporting the transfer initiative because it establishes a permanent mechanism to provide the needed funds for both short-term and long-term facility development at the Metropolitan Washington Airports. The approach suggested by Senator Ernest Hollings in S.1110, if approved by the Congress, would meet the short-term needs of the airports, but would fail to provide a stable base of funding for long-term capital needs.

As I indicated earlier, the most pressing need at Washington Dulles is expansion of terminal capacity. A number of airlines have recognized the market potential of the Montgomery County, Maryland and Northern Virginia areas and have expanded service at Dulles. Since January 1982 flights have increased by almost 100 percent. With the addition of the Pan American international hub in Washington this summer the Dulles physical plant is straining to accommodate the passenger volume. It is important that steps be taken now to expand the Dulles terminal before future air service is turned away from Washington due to lack of adequate facilities.

Secretary Dole, Governor Holton and the members of the Advisory Commission have developed a thoughtful proposal and it deserves your support.

On behalf of the Task Force membership, I appreciate this opportunity to submit these views.

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Mr. Thomas G. Morr
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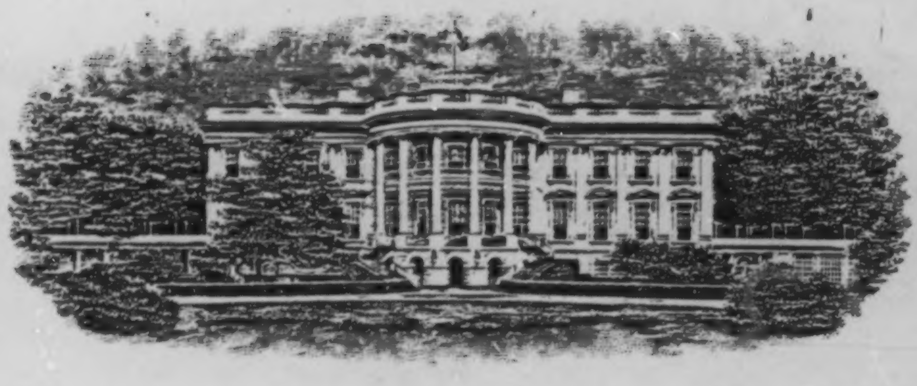
APPENDIX



PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL

TASK FORCE REPORT ON PRIVATIZATION

SUBMITTED TO THE SUBCOMMITTEE FOR
CONSIDERATION AT ITS MEETING ON JULY 13, 1983

dwindling financial resources. City managers have found privatization to be a good means of redeploying their funds as the following table reveals:

City	Privatization Project	$ Savings (annually)
Butte, Montana	Contracted with private firm to take over operation of municipal hospital.	$ 600,000
Newark, New Jersey	Contracted out to a private firm the collection of one-third of refuse produced by the city.	200,000
Orange County, California	Private firm runs the computer center.	1,600,000
Newton, Massachusetts	Paramedical and ambulance service provided by private firm.	500,000
Dallas, Texas	Closed city-run, late-night gas pumping depots. Police/fire emergency vehicles use 7-11 stores after midnight.	200,000
Oakland, California	Sold museum and auditorium to private investors with a lease-back arrangement. Maintenance is the new owners' responsibility	55,000,000 (one-time revenue enhancement)
Scottsdale, Arizona	Contracts with a private firm for fire protection services.	2,000,000

In order to ascertain whether or not privatization would be productive at the Federal level, the Task Force conducted eight study projects: Power Marketing Administrations, National Space Transportation Systems, Veterans Administration (VA) Hospitals, Department of Defense Commissaries, Metropolitan Washington Airports, Federal Vehicles, Coast Guard Services, and Social Security Administration automated data processing operations. In each case, the Task Force found significant privatization opportunities. More importantly, the Task Force discovered overall problems with services that should be privatized:

- The service rendered has grown considerably since its inception but managers now have little incentive to review the operating assumptions.

- The services are inefficient as compared with private sector operations.

- The managers of the services have insufficient tools with which to manage.

- The operations are small appendages unrelated to the central function of Government.

When Government initially decided to provide and produce these services -- to launch these businesses -- there were no other significant producers in the marketplace. Certain societal needs were not being met. Government went into business because there were no other viable implementation options at that time. Specifically:

- When multipurpose dams were first built, the original projects were in rural or less developed parts of the country that did not have investor-owned utilities to provide electricity.

- When the National Aeronautics and Space Administration (NASA) developed the Space Shuttle, the magnitude of the technology needed and financial risks involved were such that no private sector firm could build, own and operate a space shuttle.

- VA hospitals were originally constructed in response to a shortage of hospitals exacerbated by a large number of injured World War I and II veterans.

- Military commissaries were established in the 1860s when the typical army post was a frontier post, miles from the nearest city.

Today, the situation is vastly different with regard to each of these activities. Investor-owned utilities that market electric power are commonplace, private sector firms interested in space technology are anxious to provide capital for and assume much of the risk of space exploration, investor-owned hospital corporations build and manage hospitals for a large variety of clients, and modern, competitive supermarkets exist within close proximity to most military bases. In each case, an alternative implementation option currently exists to provide the service. These alternatives are

- Military commissaries are unable to install optical scanners at checkout counters due to the acquisition cost, even though this cost would be repaid many times over in a short period of time through more efficient, less costly operations.

- The Federal Aviation Administration has no authority to implement facility improvements directly at National and Dulles airports without Congressional approval.

Over time, Government has become exceedingly complex as it has become involved in an ever-expanding range of activities. The Task Force has found that the businesses we analyzed are not an integral portion of the parent organization, but instead are appendages of less importance to the main function. The result is an overly complex, multilayered decision making process that ultimately rests with hundreds of managers and a huge administrative staff including the entire legislative oversight process.

Consequently, decisions critical to the business are minor as compared with other decisions that managers have to make. Decisions are made and policies set by people far removed from the actual business operations. In effect, these businesses are secondary operations to a giant conglomerate's primary business. The problem is far from unique to the Government. It is commonly found in the private sector as well. Conglomerates with highly diversified operations and without specific strategies have rarely succeeded in the private sector. In perhaps the most comprehensive study of diversified companies ever undertaken, Richard Rumelt found: "Those businesses with dominant constrained and related constrained diversification strategies were unquestionably the best overall performers. These companies have strategies of entering only those businesses that build on, draw strength from, and enlarge some control strength or competence. While such firms frequently develop new products and enter new businesses, they are loath to invest in areas that are unfamiliar to management."

Organizations generally manage best when they stay close to their central function. Government tends to manage best those things that are close to its central functions of regulation, and provide for the general welfare, safety and the national defense. The Task Force concludes that privatization provides an opportunity for the Government to divest itself of those services that prove most difficult for it to manage effectively.

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II. ISSUE AND RECOMMENDATION SUMMARIES (CONT'D)

F. FEDERAL AVIATION ADMINISTRATION

PRIVATE 6: TRANSFER OF AUTHORITY OF METROPOLITAN WASHINGTON AIRPORTS

Issue and Savings

Should the Federal Government dispose of Washington National and Dulles International Airports? If so, to whom should the airports be sold and what should be the price?

The potential revenue from the sale of Washington National and Dulles International Airports would result in a one-time Federal deficit reduction of $341.5 million. Three-year interest savings would amount to $113.2 million.

Background

The Federal Aviation Administration (FAA) and the Department of Transportation (DOT) are responsible for ensuring air safety and efficiency and for fostering civil aeronautics and air commerce under the Federal Aviation Act of 1958, as amended (49 U.S.C. 1421). FAA also operates and maintains Washington National Airport, located approximately four miles from the White House in nearby Virginia, and Dulles International Airport, situated approximately 25 miles from downtown Washington in Loudon County, Virginia. These facilities are the only two commercial airports in the United States owned by the Federal Government. Collectively, they are known as the "Metropolitan Washington Airports" (MWA).

Over the last 50 years many proposals have been offered to create the most effective and efficient method to manage National Airport. Recently, similar suggestions have been made for Dulles Airport. Table II-8 illustrates these key proposals.

[Table II-8 on following page]

Table II-8

SUMMARY OF PAST PROPOSALS TO DIVEST WASHINGTON NATIONAL AND DULLES INTERNATIONAL AIRPORTS

Date	Proposer	Proposal	Form of Proposal	Action
1949	Hoover Commission	National Airport to be established as a Federal corporation to operate as a business.	Recommendation	None
	83rd Congress	Bill to operate National as a Federal corporation.	H.R.	None
	86th Congress	Bill to operate Nat. as a Fed. corp.	H.R.	None
	87th Congress	Bill to operate Nat. as a Fed. corp.	H.R.	None
	88th Congress	Bill to operate Nat. as a Fed. corp.	H.R.	None
	89th Congress	Bill to operate Nat. as a Fed. corp.	H.R.	None
1970	Spong	Authorize regional airport authority ownership.	S.	Hearings: no action
1971	President Nixon	Sale of airports to highest bidder -- price $105 million.	FY 1972	State: no action
1972	Congressmen Ford & Kuykendall	Sale of airports to highest bidder.	H.R. 16221	No hearings
1974	President Ford	Transfer airports to local authorities or state.	FY 1975 Budget	FAA paper: no action
1979	DOT Secretary Adams	Review options, no action option accepted.	Directive	FAA paper: no action
1981	General Accounting Office	No reason for U.S. ownership; management improvements needed.	Audit Report	No action

Airport Industry Organization -- ownership and operation of airports occur under a variety of options, including state and municipal governments, regional airport authorities, and private sector firms. Of the 15,000 landing facilities in the United States today, only 300 are served by the major air carriers. Moreover, all of the 60 largest U.S. air carrier airports are publicly owned.

Airports have a virtual monopoly in their service area, but compete for peripheral services such as: planning new structures, safety systems and equipment, ground transportation availability, and allocation of landing slots based on timed intervals for each carrier.

Airport costs include operating expenses (labor, equipment, maintenance, insurance and fuel) and indirect costs such as capital depreciation and interest charges on borrowed capital or principal and interest. Each airport operates within a unique set of costs and recovery attempts in a break-even fashion while providing liquidity coverage required by the bond underwriters.

The setting of fees requires the airport to first estimate the expected costs for that particular time period and then estimate the number of departures within that same time frame. The standard used in calculating landing fees is usually set in dollars per 1,000 pound weight to recover total costs. Landing fees are more elastic than slot allocation fees since space rentals are contracted for longer periods of time and thus are inflexible. Through this process, airports generally develop a net operating margin (or excess) used for maintenance or facility improvement.

Methodology

We interviewed the following in the course of our research:

- Administrator, FAA;
- E. H. Haupt, Manager, Airport & Environmental Affairs, National Business Aircraft Association;
- David Thomas, Consultant, General Aviation Manufacturers Association;
- James McCormic, Airport Operators Council International (AOCV);
- Clyde Bingham, Manager, Business Operations, Metropolitan Washington Airports;

- Fred McIntosh, Staff Vice President, Operational Services, National Business Aircraft Association; and
- William Horn, Manager, Air Space Traffic Control Services, National Business Aircraft Association.

We analyzed the following documents:

- *Airport Economic Planning*, edited by George P. Howard (1974, M.I.T. Press, Boston, Mass); and
- *Hollywood-Burbank Airport Appraisal*, American Appraisal Company (1977, Wisconsin).

For historical perspective we read "The Port of New York Authority -- A Regional Transportation Agency," a paper presented in 1949 by Walter P. Hedden before the American Economic Association.

The *1981 Airport Operators Council International Traffic Report* was used to select the airports used in the tables in this issue for illustration. All the airports selected had activity levels (measured by total passengers) near the activity of National or Dulles Airports. Financial information was obtained from the individual airport's annual reports or by phone interview with airport staff.

Findings

A commercial airport closely parallels a public utility. Like gas, electric or telephone utilities, public airports are faced with continuing enlargement of facilities involving major costs. The growth of air traffic, size and composition of the aircraft fleet, and technological advances in aircraft design are interdependent with and strongly influenced by the economic ability of the airport to keep pace with the expanding requirements for adequate airport facilities.

Carriers using airports often do not have a choice of facilities that serve the same community. There are no laws, however, to keep airports from competing.

Airports perform an indispensable public service. An airport is the facility that gives communities access to the national and international air transportation systems linking cities and nations. Safe and efficient traffic flow depends on the quality of individual airport facilities and the coordination of individual airports.

Experience has shown that major commercial airports are not merely passive components in the growth of communities. They are important generators of economic development. Demand exists for commercial and industrial space near major airports. Such development should have a positive impact on the future economic growth of the affected region.

Like the profit-oriented utility, a well-run airport generates income in excess of costs. This net income, however, is used to support the airport, rather than pay shareholders' dividends.

Though less specific than public utility rates, airport rates or charges can also be regulated by local government. For example, under Kentucky law, the airport operator (a board defined as a corporate body politic) must establish fair and reasonable charges for the use of its facilities. In the field of public utility rate regulation, it is standard practice for utilities to deduct from the rate base "contributions in aid of construction." Airports, likewise, exclude Government grants obtained from the Airport Development Aid Program from their rates.

Each airport is unique as to facilities and costs. An understanding of the uniqueness of each airport is vital in order to appreciate the valuation technique selected. In the past, other reports have assumed that the Metropolitan Washington Airports could be valued by comparing them with other airports, which is misleading.

Table II-9 shows 1981 airport activity and landing fees.

[Table II-9 on following page]

Table II-9

1981 AIRPORT ACTIVITY AND LANDING FEES

	Activity 1/				Landing Fe
	Enplaned passengers		Total operations		(per 1,000 pounds of landing weight)
Airport	Number (000,000)	Domestic rank	Number (000)	Domestic rank	
Atlanta	37.6	2	601	2	$0.36
Kennedy	25.8	4	286	26	0.64 2/
Dallas/Ft. Worth	23.5	5	472	7	0.73
LaGuardia	18.1	9	308	24	1.85
National	13.9	12	337	16	0.43
Newark	10.2	15	199	63	2.34
Pittsburgh	10.1	16	330	18	0.85
Philadelphia	9.0	20	331	17	1.27
Orlando	6.1	25	146	99	0.96
Ft. Lauderdale	5.7	26	252	36	0.24
Nashville	2.2	54	211	54	0.25
Dulles	2.2	56	155	83	3/
Louisville	1.8	61	143	N.A.	0.54

1/ Source: Airport Operators Council International, Worldwide Airport Traffic Report, 1981.

2/ Based on takeoff weight.

3/ Fees waived for 1981 in an effort to encourage use.

Table II-9 shown on the previous page illustrates dissimilarities among airports. The number of enplaned passengers shows no relationship to the landing fees at airports. Total operations (defined as an aircraft arrival or departure) also bear no relationship to airport landing fees. Enplaned passengers and total operations, both measuring airport activity, do not show a strong relationship to each other.

Airports and airlines may not agree upon uniform standards of what is a fair charge, what is a true cost, and how costs should be allocated. A carefully designed system of cost accounting tailored to each airport, and charges based thereupon, is the best approach. Today, principal airlines and the airport agree to adjust user fees at each airport annually to keep pace with fluctuating costs.

Airports operate on a break-even basis. Airports estimate annual costs and establish user fees so that annual revenues will equal annual costs. Airlines negotiate with airports and both agree in advance to user charges. One airport operations expert said that airports and airlines differ most in determining how quickly the airport should recover its capital costs.

Airport direct costs are operations and maintenance expenses. Indirect costs are capital costs in the form of depreciation and interest on borrowed capital (in the case of general obligation bonds to compensate a city for the use of its capital funds), or principal and interest (in the case of revenue bonds). Both direct and indirect costs vary markedly among airports. Table II-10 shows airport application of revenues for 1981.

[Table II-10 on following page]

Table II-10

1981 STATEMENT OF APPLICATIONS OF REVENUES
($ thousands)

Airport	Revenues[1] (Col. 1)	Revenues less operating expenses before debt service[2] (Col. 2)	Operating margin as a percent of total revenues (2 ÷ 1)	Excess/ (deficit) revenues after debt service (Col. 3)	Excess revenues as a percent of total revenues (3 ÷ 1)
Miami [3]	$92,630	$61,214	66.1%	$33,168	35.8%
Dallas/ Ft. Worth	85,627	53,416	62.4	10,684	12.5
Philadelphia	47,733	18,795	39.4	(2,424)	N.A.
National/ Dulles	39,673	13,397	33.8	7,037	17.7
Las Vegas	32,728	17,393	53.1	13,978	42.7
Pittsburgh	29,831	13,922	46.7	5,438	18.2
Tampa	24,439	14,439	59.1	1,402	5.7
Burbank/ Glendale/ Pasadena	10,082	5,126	50.8	2,671	26.5
Nashville	7,296	3,176	43.5	1,937	26.5
Louisville	6,651	2,911	43.8	2,791	42.0

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[1] Includes interest revenue, but excludes Government ADAP/AIP grants.

[2] Excludes depreciation.

[3] 1980 results.

As Table II-10 on the previous page shows, net operating margin (revenues less operating and maintenance expenses as a percentage of revenues) varies among airports. The cause of the variance is that the revenues for some airports are also established to cover capital costs. Capital costs will vary with the age of the airport and the terms of recapture in the financing agreement. When future capital investments are made, user charges are recomputed to recapture total expenses.

As an example, principal airlines at Dallas/Fort Worth Airport have pledged the airport enough income through landing fees to pay maintenance and operating expenses, debt service (principal and interest on bonds), plus an additional 25 percent of the debt service called "coverage" which will be used for future capital improvements. These fees are reviewed every six months.

Excess/deficit revenues, after debt service, reflect interest coverage agreements in bond covenants and differences between planned and actual expenses. Depending on the agreement between the airport and its principal airlines, any excess or deficit revenues resulting from planning variances will be reflected in the following year's user fee determination or placed in a capital improvement fund.

Revenue bond covenants stipulate that rates will be maintained to provide for the operation and maintenance of the facilities, to pay the principal and interest on the bonds, and to maintain a coverage of 1.25 to 1.50 times the maximum annual debt service. Bond underwriters require the debt service coverage.

Surplus money accumulated through the coverage can be used for either new capital expenditures, airport improvements, or, eventually, for call of outstanding bonds. In fact, many airlines commonly guarantee an airport's revenue bonds by guaranteeing that revenues from the landing and space rental fees the airlines pay will cover the airport's direct and indirect costs minus any revenues from other sources. These airlines are called signatory airlines. In return for guaranteeing airport revenues, the signatory airlines get the right to approve any airport capital improvements.

Airport landing fees are periodically raised and lowered. Landing fees and space rentals are the primary sources of revenue, supplemented with non-aeronautical revenues such as parking revenues. Landing fees are established by adding the airfield direct and indirect costs, subtracting other revenues, and dividing the remainder by the estimated aggregate aircraft landing weight over a specified time period to arrive at a fee per 1,000 pounds of standard aircraft landing weight.

Because of their short-term flexibility, landing fees are the principal method by which an airport can assure sufficient revenues to meet bond covenants. Landing fees can be adjusted as often as every six months, whereas space rentals are relatively inflexible in the short term. Airlines often invest millions in improvements to leasehold properties. They are reluctant to invest in leased property without adequate time to recover those investments. In fact, airlines must have a fixed rental for a period of time if they hope to be able to finance their construction with borrowed money. 1/

No reasonable formula or philosophy for airports to recover costs can be determined by matching airport cost and revenue structures. Airport revenues are a function of the number of aircraft landings and the size of the aircraft since landing revenues are based on aircraft weight.

Airport costs are a function of personnel, geography and management philosophy. These functions are often unrelated to the number of passengers using the airport. The number of airport personnel depends on the size and age of the buildings. For example, more maintenance may be required at an older building, and more janitors would be needed to clean carpets as opposed to hard floors. Geography will affect snow and ice removal. An example of management philosophy is how far in advance should an airport's runways be designed for new types of aircraft.

As shown in Table II-9 on page 147, landing fees differed widely among airports in 1982, ranging from $2.34 at Newark to $0.25 at Nashville. They also rise and fall from year to year at the same airport.

The data show that signatory airlines have been willing to accept substantial increases in landing fees in the past. For example, Orlando Airport raised its landing fees from $0.32 to $1.24 or 287 percent in 1980 to add a new terminal, and Newark Airport raised its landing fees from $0.65 to $1.83 or 181 percent in 1974 when the airport was remodeled.

1/ T.D. Dannenbrink, City of Los Angeles, Department of Airports, at a seminar of Airport Economics and Finance, June 1966.

The New York City airports are an example of the relationship between landing fees and capital cost. Kennedy has the oldest structure and lower landing fees, whereas Newark was remodeled in 1974 and landing fees were increased sharply. 2/

Operating results at Metropolitan Washington Airports (MWA) show excess revenues. Table II-11 shows applications of revenues at MWA from FY 1972 to FY 1982.

[Table II-11 on following page]

2/ Dick Lee, Financial Analyst, Port Authority of New York and New Jersey.

Table II-11

METROPOLITAN WASHINGTON AIRPORTS -- STATEMENT OF APPLICATIONS OF REVENUES

($000s)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
FY ENDING JUNE 30,	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
(1) TOTAL REVENUES	$16,535	$18,344	$20,413	$22,007	$34,960	$30,189	$34,678	$38,762	$39,673	$37,477	$38,846
REVENUES LESS OPERATING EXPENSES BEFORE DEBT SERVICE:											
(2) NATIONAL	5,970	6,886	7,040	6,485	9,931	7,986	9,989	12,194	11,887	13,309	14,155
(3) DULLES	(414)	581	(233)	(1,342)	2,594	1,293	2,547	3,097	1,511	(4,033)	(1,890)
(4) TOTAL (A)(B)	$5,556	$7,467	$6,807	$5,143	$12,524	$9,279	$12,536	$15,291	$13,398	$ 9,276	$12,265
(5) AS A % OF REVENUES	33.6%	40.7%	33.3%	23.4%	35.8%	30.7%	36.1%	39.4%	33.8%	24.7%	31.6%
(6) DEBT SERVICE (ALLOCATED)	$7,522	$7,105	$7,581	$8,106	$9,810	$7,680	$7,288	$6,891	$6,360	$5,621	$6,199
(7) EXCESS/(DEFICIT) REVENUES (ROW 4-6)	$(1,966)	$362	$(774)	$(2,964)	$2,714	$1,600	$5,248	$8,400	$7,037	$3,654	$6,065
(8) CUMULATIVE EXCESS/(DEFICITS) REVENUES	$(1,966)	$(1,604)	$(2,378)	$(5,342)	$(2,628)	$(1,028)	$4,220	$12,620	$19,657	$23,311	$29,376
(9) CAPITAL APPROPRIATIONS FROM U.S. GOVERNMENT	$4,930	$2,600	$3,000	$5,500	$11,625	$5,000	$5,500	$5,000	$6,785	$16,200	$16,700
(10) EXCESS/(DEFICIT) CASH	$626	$4,867	$3,807	$ (358)	$899	$4,280	$7,036	$10,291	$6,612	$ (6,925)	$ (4,436)
(11) ACCUMULATIVE EXCESS/(DEFICIT) CASH	$626	$5,493	$9,300	$8,942	$9,841	$14,121	$21,157	$31,448	$38,060	$31,135	$26,699

(A) NUMBERS MAY NOT ADD DUE TO ROUNDING
(B) OPERATING EXPENSES DO NOT INCLUDE DEPRECIATION

From 1972 to 1982, the MWA have reported cumulative excess revenues of $29,376,000. All excess revenues before debt service are deposited in the U.S. Treasury General Fund. The allocated debt service, an imputed figure, represents depreciation and interest on the Government's net capital investment in MWA. The Government considers depreciation as repayment of principal, and the interest rate is the 90-day T-Bill rate. Excess/deficit revenue represents net income/loss to MWA income.

On a cash flow basis, the MWA have shown a cumulative cash flow to the U.S. Treasury of $26,699,000 from 1972 to 1982. This is assuming all capital appropriations are period costs.

The U.S. Government's net investment (capital expenditures plus imputed interest, less cash paid back in the form of excess revenues) in the MWA through FY 1973 was $62,000,000.[3] Subtracting the cumulative cash flow from FY 1974 to FY 1982 of $21,200,000, the net investment by the Government in the MWA would be $40,800,000 not including imputed interest from 1974-1982. [4]

Table II-12 presents actual landing weights for the Metropolitan Washington Airports since 1977.

[Table II-12 following page]

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[3] Clyde Bingman, Manager, Business Operations, MWA.

[4] Alexander Butterfield, Administrator, FAA, in a memo dated 2/27/74.

Table II-12

METROPOLITAN WASHINGTON AIRPORTS
LANDING WEIGHTS (billion lbs)

Fiscal year ending September 30	Weights
1977	18,443
1978	18,116
1979	18,174
1980	17,055
1981	15,657
1982	13,898
1983 1/	15,087

1/ Estimate is for calendar year.

As the data show, landing weights have decreased at the MWA from 18,443 billion pounds in FY 1977 to 13,898 billion in FY 1982. One airport operations expert said traffic at the MWA should return to its peak level of 18+ billion pounds within two years. An official at the MWA concurs, predicting landing weights of 15,087 billion pounds for 1983. This increased tonnage, if realized, could justify lower unit landing fees since capital costs are generally fixed costs.

The MWA could provide better service to the air traveler if they were owned and operated by a local authority. The MWA could operate most effectively under an organization that includes aviation and community interests. The most desirable form for this organization is a local authority.

Factors negating sale to private concern (example: Burbank Airport). In 1978, Burbank Airport, the last privately owned airport in the United States served by commercial airlines on a regularly scheduled basis, was sold by Lockheed Corporation to the Burbank-Glendale-Pasadena Airport Authority. The reasons for the sale (listed below) are the same reasons why the MWA should not be sold to a private concern.

- As a private corporation, Lockheed was required to pay property and franchise taxes for the airport.
- Being privately owned, the airport was ineligible for Federal Government grants-in-aid. (The act has been revised to include private airports, although no private commercial service airports exist today. The MWA are currently ineligible for Federal grants in aid (known as AIP).
- As a private corporation, Lockheed was unable to issue tax-exempt revenue bonds for airport capital projects.
- The negative impact of possible noise-related litigation was too great a risk for a private airport operator without the benefit of land-use controls and other powers of a public agency.

The sales price was determined by an independent audit that valued the airport land and buildings at $51 million. At the time of the audit, the net book value of the land and buildings was $10.7 million. The sales price of $51 million represented a market to book multiple of 4.77 times.

Appraisal of capital assets. There are three basic approaches to implement an appraisal of a capital asset:

- replacement cost;
- capitalization of projected cash flow; and
- market value -- the price at which a willing seller and a willing buyer arrive.

Because airports are unique in several aspects, chiefly their non profit status, capitalization of projected cash flow is not a valid approach. Neither is "market value," because of the near absence of other comparable transactions.

The land component of an airport can be valued in terms of replacement cost, but this approach has limited relevance. The value of similar land outside the airport reflects the present value of expected cash flows from uses which generally do not occur at an airport. Structures at an airport also tend to be unique and unlikely to have alternative uses that would have a comparable value if the property were sold.

Consequently, in this issue three other techniques are used to update earlier appraisals that have been made:

- Adjust to 1982 constant dollars by using the Gross National Product (GNP) price deflator, the appraised value of the MWA in 1972, and any capital improvements since 1972;
- Calculate the ratio of the 1972 appraised market value to the 1972 net book value of the MWA land and buildings. Assuming this same market value-to-book value ratio exists in 1982, multiply this ratio times the MWA 1982 net book value of land and buildings.
- Calculate the ratio of the 1978 appraised market value to 1978 net book value of Burbank Airport land and buildings. Assuming this same market value-to-book value ratio exists in 1982, multiply this ratio times the MWA 1982 net book value of land and buildings.

Alternative appraisals: valuation based on GNP price deflator. In 1972, an independent audit of the MWA land and buildings determined the fair market value to be $105 million. Assuming no depreciation, the 1982 year-end constant dollar value would be $217.5 million. Add to this any capital appropriations adjusted to reflect FY 1982 year end dollars. The result is a total value of $318.4 million.

Alternative appraisals: valuation based on a multiple of book value from the Burbank Airport valuation. When the Burbank Airport was appraised to find the fair market value of its land and buildings in 1978, the ratio of market to book value was 4.77 times. Multiplying the MWA's September 30, 1982 land and buildings net book value (after accumulated depreciation) of $80.4 million by 4.77 yields $383.5 million. The book value of construction in process is assumed to be equal to the market value. The total value of the MWA's land and buildings after adding $30.2 million construction in process is $413.7 million.

Valuation based on a multiple of book value from the MWA's valuation in 1972. When the MWA's land and buildings were valued at $105 million in 1972, the net book value of these assets was $32.2 million. This results in a market to book multiple of 3.26 times. Multiplying the MWA's land and buildings net book value of $80.4 million by 3.26 and adding $30.2 million construction in process gives $292.3 million.

Summary. The three estimates of the fair market value of the MWA land and buildings range from $292.3 million to $413.4 million. The mean value is $341.5 million, which will be used in further calculations for purposes of simplicity.

Conclusions

While operating the airports, FAA finds itself in the role of being the supplier of airport services. This is frequently incompatible with FAA's larger, Federal role of "ensuring air safety and efficiency and fostering civil aeronautics and air commerce" as mandated by the Federal Aviation Act of 1958 (49 U.S.C. 1421). The conflicting roles of supplier and regulator have resulted in a confusion of Agency mission goals. These problems are indicated by the fact that the need to divest the Federal Government of ownership of Washington National and Dulles International Airports has been addressed at one time or another by five Administrations, the Office of Management and Budget, DOT, and FAA.

Lack of a stable financial base tends to inhibit long-range planning. Unlike other major U.S. airports, local involvement in the management of Dulles and Washington National Airports is severely limited due to Federal ownership. Ownership of the airports under the existing structure does not provide a stable financial base which allows long-term planning for development of the airports for the benefit of the community. Under the present structure, funds for capital improvements, large and small, must go through the Federal budgetary process and be authorized and appropriated annually. This process tends to inhibit long-range planning and financing of improvements.

The MWA could provide better service to the air traveler if owned and operated by a local authority. In a 1969 Executive Summary of Analysis and Recommendations for the three Baltimore-Washington Airports (National, Dulles International and Baltimore-Washington International), the FAA Office of Systems Requirements concluded:

> The type of organization best suited to operate the Washington-Baltimore air carrier airports was found to be a corporation which included aviation and community interests on the Board of Directors. It was also found that joint operation of the airports would substantially increase their ability to finance future improvements and would lead to a better balance of operations among the airports.

Recommendations

PRIVATE 6-1: The authority of metropolitan Washington's two Federally owned airports should be sold to a self-sustaining and independent airport authority (such as those in New York and New Jersey) consisting of government representatives from the Commonwealth of Virginia, the District of Columbia and the State of Maryland (if Maryland so desires). The airports should be offered to the newly created authority at the fair market value as determined by an independent appraisal.

Savings and Impact Analysis

The one-time revenue to the U.S. Government would be $341.5 million from the sale of Washington National and Dulles Airports.

Our approach assumes that the purchaser would sell bonds for $341.5 million as payment for the facilities. This investment could be recovered by increasing both aviation and non-aviation revenues. A conservative assumption would be to recover $170.8 million (50 percent of the $341.5 million) from non-aviation sources such as parking and concession revenues. Landing and space user fees would recover the other $170.8 million in proportion to the value of the assets that provide the service.

For example, assume that the landing area is 50 percent of the appraised purchase price and the remainder covers the terminal's costs. A total of $85.4 million (50 percent of $170.8 million) of the debt service would be paid by increasing landing fees and $85.4 million by increasing space rental fees.

The impact of recapturing the $341.5 million solely from landing fees should be considered. The purpose of this example is to present a simplified impact analysis by assuming that all revenues and costs except financing the $341.5 million are reflected in the current $0.55 landing fee and not by considering any non-aeronautical income. The total impact of financing the $341.5 million will be reflected by increased landing fees. Table II-13 shows the impact to the MWA's landing fee structure assuming the purchase is financed through an increase in landing fees. *

[Table II-13 on following page]

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* To preserve financial incentives to divert traffic to Dulles Airport, weighting of fee increases would probably affect Washington National rates more than rates at Dulles.

Table II-13

INCREMENTAL ANNUAL MWA LANDING FEES (TO FINANCE AIRPORT PURCHASE)
($ millions)

	(1)	(2)	(3)	(4) (Average)
(1) Purchase price	$292.3	$318.4	$413.7	$341.5
Annual payment:				
(2) Interest	29.2	31.8	41.4	34.2
(3) Sinking fund	1.8	1.9	2.5	2.1
(4) Total	$ 31.0	$ 33.7	$ 43.9	$ 36.3
(5) Annual cost per 1,000 pounds gross standard landing weight assuming a volume of 18.5 billion pounds	$ 1.68	$ 1.82	$ 2.37	$ 1.96

Assuming only landing fees would be increased to pay for the entire $341.5 million financing, the impact on the airport would be to increase MWA landing fees to $1.96 from $0.55 per 1,000 pounds landing weight, the current (1983) landing fee. This would make the MWA landing fees comparable to Newark's $2.34, since a portion of the $0.55 is capital cost which is also included in the $1.96.

The following assumptions were made:

- o $341.5 million 30-year bond at 10 percent coupon rate sold at par. Annual interest $34.2 million.
- o Sinking fund will yield 10 percent. Annual cost will be $2.1 million.
- o MWA annual landing weight will be 18.5 billion pounds beginning 1984.

Dividing $36.3 million by 18.5 billion pounds is $1.96 per 1,000 pounds landing weight.

The incremental impact on airlines would appear to be minimal since:

- Table II-9 shown earlier illustrates the market's willingness to accept a large range of landing fees.
- Airport costs are on average 3.5 percent of total airline operating expenses. 5/
- For a Boeing 727-200 the landing fees would increase from $92.95 at $0.55 to $331.24 at $1.96 per 1,000 pounds gross standard landing weight. The gross standard weight of a B727-200 is 169,000 pounds. 6/

To summarize the revenue and budget impact of the sale of Washington National and Dulles International Airports:

	($ millions)			
	Year 1	Year 2	Year 3	Total
Sale proceeds	$341.5	$ 0	$ 0	$341.5
Interest reduction	34.2	37.6	41.4	113.2
Totals	$375.7	$37.6	$41.4	$454.7

Implementation

PRIVATE 6-1: The Secretary of Transportation, along with the Administrator of the FAA, should work with the appropriate members of Congress and appropriate state and local officials to pass legislation that would create a local airport authority. The Secretary of Transportation should designate a panel of representatives from the local affected communities, the aviation industry and inter-agency personnel to establish the criteria for selecting individuals to hold seats on the airport authority. This same *ad hoc* panel created by the Secretary of Transportation should review proposals from firms offering their appraisal services to ensure independence and objectivity.

5/ Jim McCormic, AOCI

6/ Aircraft Data, FAA Advisory Circular AC150/535-5A.

BY THE COMPTROLLER GENERAL

Report To The Chairman, Senate Committee On Governmental Affairs

OF THE UNITED STATES

Compendium Of GAO's Views On The Cost Saving Proposals Of The Grace Commission

Vol. II - Individual Issue Analyses

GAO/OCG-85-1
FEBRUARY 19, 1985

TRANS 17: METROPOLITAN WASHINGTON AIRPORTS

I. PPSSCC ISSUE AND SAVINGS

"Should Metropolitan Washington Airports (MWA) attain a profit level comparable to other major metropolitan airports?"

"Our recommendation to increase MWA user fees comparable to those of other major metropolitan airports would produce new revenues of $57.6 million over 3 years."

II. GAO ANALYSIS OF ISSUE AND ASSOCIATED RECOMMENDATIONS

According to the PPSSCC, the marginal profit at the Washington Dulles and National airports results from "the public approach of break-even [as opposed] to the profit orientation of other major airports." While MWA's fees are designed to produce a 9.9 percent profit margin, other major metropolitan airports not owned and operated by the federal government have pricing policies that include a profit margin of from 7.7 percent to 71.5 percent, with an average of about 40 percent.

FAA stated that the rate structure and concession arrangements at the MWA are established to assure recovery of operating costs, interest expenses, and "an appropriate return of the government's investment." Fees collected from airport users are deposited as miscellenous receipts to the general fund of the Treasury. FAA estimates that for fiscal year 1985 a net profit of $9.2 million will be realized.

GAO has no position on the overall merits of the PPSSCC recommendation since GAO has not evaluated whether 40 percent represents an appropriate return on the government's investment.

III. GAO ASSESSMENT OF IMPLEMENTATION AUTHORITY, FEASIBILITY, AND STATUS

GAO agrees with the PPSSCC that implementation of the recommendation to establish revised pricing for MWA could be accomplished by the FAA Administrator, if he finds that the average profit margin of about 40 percent represents "an appropriate return of the government's investment." If the Administrator makes such a determination, he could, as PPSSCC recommends, increase revenue and improve the operating margin by increasing user fees at both airports to a level comparable with the average of other major airports. The PPSSCC stated that the additional revenue could be attained by raising landing fees and increasing the price for airport rental space.

IV. GAO ANALYSIS OF SAVINGS ESTIMATE

PPSSCC based its 3-year savings estimate of 57.6 million on a 40 percent profit margin. This 40 percent is based on the profit margin of five other major airports with the number of aircraft operations closely approximating MWA operations. These airports produced an average profit margin of 42.8 percent. The PPSSCC stated that by changing the fee structure so that operating margins for MWA would approximate 40 percent requires a needed increase of revenue of about $17.4 million in year 1, $19.1 million in year 2 and $21.1 million in year 3 for a total of $57.6 million over 3 years. The PPSSCC showed that raising landing fees at National could account for $16.6 million and raising the rental fees for space could account for $0.8 million in year 1 alone totalling the $17.4 million.

FAA had waived landing fees at Dulles airport in 1981 and 1982. In 1983, FAA began imposing landing fees at Dulles, but it continued to provide relief from fees for use of the mobil lounges. FAA stated that it believes the fee reductions at Dulles has contributed to the very strong growth rate at Dulles.

In the fiscal year 1985 budget hearings FAA stated that for the last 5 years, MWA has averaged a profit of about $6.5 million a year, which it feels is the right level. Therefore, FAA has targeted a profit level of $6.6 million.

V. RELEVANT GAO REPORT

None.

VI. GAO CONTACT

Oliver Krueger 275-6111

Report

to

ADVISORY COMMISSION ON THE REORGANIZATION OF THE METROPOLITAN WASHINGTON AIRPORTS

Attention:
Honorable A. Linwood Holton, Jr.,
Chairman

Concerning:

CERTAIN FINANCIAL ASPECTS of the TRANSFER OF DULLES AND NATIONAL AIRPORTS

Submitted by:

WHEAT, FIRST SECURITIES, INC. SALOMON BROTHERS INC

November 29, 1984

WHEAT, FIRST SECURITIES, INC. SALOMON BROTHERS INC

November 29, 1984

Advisory Commission on the Reorganization
of the Metropolitan Washington Airports
U.S. Department of Transportation
400 Seventh St., S.W.
Washington, D.C. 20590

Attn: Honorable A. Linwood Holton, Jr., Chairman

TRANSMITTAL LETTER

Subject: Financial Aspects
of the
Transfer of Dulles and National Airports

DETAILED REPORT

Dear Governor Holton:

Wheat, First Securities, Inc. and Salomon Brothers Inc are pleased to respond to your letter of September 20, 1984 requesting our analysis of certain financial capabilities of operating the Dulles International Airport and Washington National Airport under the public ownership by a state, local, or interstate entity as well as certain organizational and possible legal ramifications of such ownership as it relates to financial capability.

Our report, attached hereto, addresses in detail several alternative financing cases which incorporate: (1) a range of proposed capital improvements at both airports; (2) annual renewal and replacement capital requirements; and (3) the potential impact of a sale price or lease payments to the Federal Government for use of the facilities. We also address, from a financial capability standpoint, the separate independent operation of Dulles and National Airports. In addition, we reviewed the financial impact of using tax-exempt bonds secured by the general obligation credit of the Commonwealth of Virginia, should that be a possibility, as well as alternative financing techniques to reduce the cost of issuing revenue bonds.

Our report also addresses the impact on the financial capability of a new, publicly owned entity related to alternative legal and organizational structures which are currently being considered.

Honorable A. Linwood Holton, Jr.
November 29, 1984
Page Two

As investment bankers, we are confident of our capabilities in presenting alternative financing scenarios and the revenue requirements resulting from each such scenario given the assumptions which we state in our report. With the aid of the Director and staff of Metropolitan Washington Airports, we have also attempted to produce calculations addressing the major components of gross revenues, namely, landing fees, terminal rentals, and concession revenues. Since we are not professional feasibility consultants, we have presented these latter calculations for your review in assessing the relative magnitudes of such components in comparing one case with another. These calculations should not be considered as the absolute levels of such components of revenue pending review by expert feasibility consultants in this area.

We hope that you find this report of help in evaluating certain financial implications concerning the transfer of Dulles and National to another public entity. We will be pleased to expand or modify this report or provide additional analyses for your use and that of the other commissioners at any time at your request.

Finally, we would like to acknowledge the extensive support and contribution of the MWA Director and staff, in providing data and comments, without whose help this report could not have been produced.

Thank you for the opportunity to serve your Commission.

Very truly yours,

Wheat, First Securities, Inc.

By: Walter Craigie Jr

Salomon Brothers Inc

By: Gregory P. Dwyer

TABLE OF CONTENTS

	TAB	PAGE
EXECUTIVE SUMMARY	1	1-1
Assessing the Ability of New Entity to Meet Financial Requirements		1-1
Financial Expenditures		1-2
Interest Rate Assumptions		1-3
Sources of Revenue		1-3
Summary of Results		1-4
Financial Implications of General Obligation Bonds of Virginia		1-6
Alternative Financing Techniques for Reducing the Cost of Issuing Revenue Bonds		1-6
Financial Analysis of the Separate Independent Financial Operation at Dulles and National Airports		1-7
Working Capital Requirements and Sources		1-8
Adjustments to Airports' Fiscal Practices		1-8
Comparison of Virginia and Interstate Compact Legal and Administrative Characteristics		1-8
Staffing of Airports		1-9
DETAILED REPORT CONCERNING FINANCIAL ASPECTS OF THE TRANSFER OF DULLES AND NATIONAL AIRPORTS	2	
INTRODUCTION		2-1
ABILITY OF NEW ENTITY TO FINANCE MAJOR CAPITAL IMPROVEMENTS		2-2
Major Long-Term Capital Improvements		2-2
Renewal and Replacement Capital Expenditures		2-2
Impact of Sales Price or Lease Payments to Federal Treasury for Transfer of Airports		2-3

TABLE OF CONTENTS

	TAB	PAGE
Financing Assumptions	2	2-4
Financial Implications of General Obligation Bonds of Virginia		2-4
Alternative Financing Techniques for Reducing the Cost of Issuing Revenue Bonds		2-5
Detailed Analysis		2-6
FINANCIAL ANALYSIS OF THE SEPARATE INDEPENDENT FINANCIAL OPERATION AT DULLES AND NATIONAL AIRPORTS		2-8
WORKING CAPITAL REQUIREMENTS AND SOURCES		2-9
ADJUSTMENTS TO AIRPORTS' FISCAL PRACTICES		2-10
STAFFING OF AIRPORTS		2-11
PROVISIONS FOR CREATING DEBT BY THE COMMONWEALTH OF VIRGINIA AND ITS AGENCIES		2-11
CITATION FROM THE VIRGINIA CONSTITUTION AUTHORIZING G.O. BONDS		2-13
Section 9 of Article X, Constitution of Virginia		2-13
INTERSTATE COMPACTS		2-14
DESCRIPTION OF FINANCIAL MODEL	3	
SUMMARY OF CASES ANALYZED	4	
MATRIX COMPARISON OF CASES	5	
CASE ANALYSES	6	
HISTORICAL INTEREST RATE TRENDS and MUNICIPAL YIELD CURVES	7	
METROPOLITAN WASHINGTON AIRPORTS - HISTORICAL REVENUES 1979-1983	8	

EXECUTIVE SUMMARY

Wheat, First Securities and Salomon Brothers have undertaken an analysis of a transfer of Metropolitan Washington Airports ("MWA") to public ownership by a state, local or interstate entity. The first part of the analysis addresses the financial implications of a transfer and quantifies the level of revenue needed to support capital and operating requirements. This section also examines questions related to financial administration, such as those concerning fiscal practices and working capital requirements.

The second part of our analysis outlines options related to legal and organizational structures of a local ownership entity. We also address how such structures would preclude or facilitate the use of certain tax-exempt financing mechanisms (e.g., general obligation bonds, junior lien bonds, etc.).

A summary of the issues addressed in our analysis follows.

Assessing the Ability of New Entity To Meet Financial Requirements

We assume that a local ownership entity would be self-supporting. This means that, at a minimum, such an entity must generate sufficient revenue to meet all of its financial requirements. Our analysis involves the development and utilization of a financial model. The model attempts to quantify the sources of revenue needed to support annual expenditures. In order to allocate "revenue requirements" among the alternative sources of revenue, our model uses a "residual cost" approach and formula suggested by MWA. Under such a formula, revenue derived from landing and rental fees represents the difference between "total revenue requirements" and the revenue which will be generated from concession sales and "other" fees.

In actual practice, MWA currently employs a "compensatory" approach in determining landing and rental fees. Under this approach landing and rental fees are determined on the basis of costs associated with the operation of landing and rental areas and concession and other revenues develop a "profit" or positive cash flow or a "loss" or negative cash flow. Because current use and lease agreements expire at the end of 1984, MWA is in the process of renegotiating new agreements with the airlines beginning in 1985. Therefore, landing and rental fees are difficult to forecast. As a result, it was determined that the model should be based on the residual cost method described above for ease of comparing each of the cases analyzed herein.

Financial Expenditures

Financial expenditures fall into four categories:

(1) Operating and Maintenance Expenses (O&M) - assumed to equal estimated 1985 levels plus an increase for new capital construction.

(2) Major Near-Term Capital Improvements - minimum level assumed to be approximately $75 million allocated for various projects at National Airport and $85 million for a new midfield terminal (12 gates) and land for an additional runway at Dulles Airport. The maximum level assumed to be $200 million at National Airport to incorporate multi-level parking structures and terminal improvements and $100 million at Dulles Airport for a new midfield terminal (18 gates).

(3) Annual Renewal and Replacement Capital Expenditure Requirements (R&R) - assumed to be $12 million annually to be paid for by the new entity rather than by Federal Government appropriations.

(4) Purchase or Lease of MWA from Federal Government - assumed to be purchased at one of four possible prices: (A) $341.5 million as recommended in the Grace Commission report; (B) $90 million equal to approximate depreciated book value of facilities; (C) $70 million representing the net recoverable investment in existing airport facilities by the Federal Government; or, (D) $0 reflecting the public purpose nature of the transfer.

The means of financing the above expenditures would vary as described in the table below:

Expenditures	Financing Vehicle
O & M	Paid directly out of revenue
Major Capital Improvements	Financed by senior lien revenue bonds or General Obligation (G.O.) bonds of Virginia (Article X 9(c) bonds).
Annual R & R	Paid for directly from: (1) operating revenue; or financed through (2) issuance of junior lien revenue bonds; or, (3) Virginia G. O. bonds.
Purchase or Lease of MWA	Financed through: (1) third lien revenue bonds; (2) Virginia G. O. bonds; or, (3) lease payments (installment sale payments) to Treasury.

Interest Rate Assumptions

In cases where expenditures are financed through the issuance of tax-exempt revenue bonds, 10% and 10.5% interest rates are assumed for senior lien and junior lien bonds, respectively. Revenue bond issues are sized, and annual debt service estimated, assuming the establishment of a debt service reserve fund equal to one year's maximum debt service on the bonds. The issuance of general obligation bonds is assumed at an interest rate of 9.25% with no reserve fund. In all cases of bond issuance for major improvement construction purposes, interest payable during construction is capitalized, a four year construction period with equal annual drawdowns assumed, and new bonds would be issued each year in accordance with Treasury arbitrage regulations.

It should be noted that the tax-exempt interest rates assumed in this analysis were used to compare the results with the 10% interest rate for revenue bonds assumed by the Grace Commission in its analysis of an ownership transfer of MWA. These rates do not necessarily represent prevailing market rates, although such rates are relatively close to rates in November 1984. The interest rate differentials between general obligation bonds, senior lien and junior lien revenue bonds do roughly approximate currently prevailing differentials in the market. For a review of historical interest rates and a current yield curve for single 'A' airport revenue bonds, see Tab 7.

Sources of Revenue

In order to determine whether total forecasted expenditures can be met, our financial model projects annual revenues in four categories using a breakeven formula suggested by MWA staff. One potential source of capital for construction, Federal Government Airport Improvement Program ("AIP") grants (not currently available to MWA but could be available to a new entity), was ignored given the uncertainty as to whether such grants will actually be available beyond 1987 when the current program authorization expires. The four categories of revenue are:

(1) concession revenue;
(2) landing fees;
(3) terminal rental fees;
(4) other revenue (security fees, utility sales, mobile lounge fees, etc.)

The breakeven formula subtracts from total annual revenue required, the revenue estimated to be generated from concession and other revenue to derive revenue from landing fees and terminal rentals to be paid by the airlines. This model uses a "residual cost" approach to determine revenue requirements as opposed to the "compensatory" approach actually employed by MWA. Ultimately, the model produces estimates of implied landing fees and rental rates as well as cost per enplaned passenger. Projections of landing fees and rental rates are rough estimates and should not be construed as the levels which might ultimately be set.

If precise estimates of landing fees and rental rates are desired, expert airport feasibility consultants should be engaged to analyze and provide recommendations regarding appropriate levels under each scenario.

Summary of Results

In order to determine the financial implications of a transfer of MWA, eighteen alternative cases were analyzed. The cases vary in such respects as the assumed costs of new construction, airport purchase prices, and the means of financing annual renewal and replacement expenditures.

A summary of seven representative cases, which present relative minimum and maximum cost scenarios, follows. The case numbers relate to the same case numbers which are described in Tab 4, are compared numerically in summary form in Tab 5 and numerically in detail in Tab 6. Data which follows is presented for 1990, the first full year of debt service following completion of the proposed major capital improvements.

CASE NUMBER	CAPITAL COST - NEW CONSTRUCTION	ANNUAL RENEWAL & REPLACEMENT	PURCHASE PAYMENT TO U.S.	TYPE OF BONDS	INTEREST RATE ASSUMED	TOTAL BONDS ISSUED	NET ANNUAL DEBT (a) SERVICE	REVENUE REQUIREMENT	IMPLIED LANDING FEE $/1000 LBS	IMPLIED SQUARE FOOT RENTAL COST	AVERAGE COST PER ENPLANED PASSENGER
2 - A	$160,000	-	-	REVENUE	10.00%	$233,657	$22,307	$70,240	$0.68	$21.23	$6.50
3 - A	$160,000	$12,000	-	REVENUE	10.00%	$308,308	$33,477	$84,513	$1.02	$31.91	$7.82
3 - B	$160,000	$12,000	-	GEN. OBL.	9.25%	$264,313	$29,889	$79,098	$0.89	$27.86	$7.32
4 - A	$160,000	$12,000	$341,500	REVENUE	10.00%	$703,599	$71,216	$122,252	$1.92	$60.16	$11.31
4 - C	$160,000	$12,000	$90,000	REVENUE	10.00%	$412,484	$43,423	$94,459	$1.25	$39.36	$8.74
4 - D	$160,000	$12,000	$90,000	GEN. OBL.	9.25%	$357,097	$39,121	$88,330	$1.11	$34.77	$8.17
4 - G	$160,000	$12,000	$70,000 (b)	REVENUE	10.00%	$233,657	$29,006	$82,742	$0.97	$30.59	$7.66

(a) Net annual debt service equals total debt service payable (without additional coverage) less interest earnings on any debt service reserve funds.

(b) Purchase price based on net recoverable investment in existing airport facilities to be paid to FAA in 15 annual installments with assumed interest at average imputed cost of federal borrowing.

We make no conclusions regarding appropriate levels of major capital expenditures, appropriate levels of R&R or appropriate purchase prices or lease payments for the use of the airports by a new entity. Therefore, we cannot say which scenario is most realistic. From an investment banking point of view, however, to the extent that a new entity could raise these end user charges without adversely affecting passenger traffic and airline use of the facilities and hence, total projected revenues, most of the alternatives presented appear feasible. For a more precise assessment of feasibility, professional consultants experienced in airport work should be engaged. The ultimate judges of this feasibility are necessarily the bond rating agencies and credit enhancement providers, (the commercial banks and bond insurance companies) as well as the investing public, each of whom must assess the ability of a local ownership entity to assure that MWA can generate a level of revenue sufficient to meet all financial requirements. Historical statements of revenues and expenses for fiscal years 1979 - 1983 can be found in Tab 8.

Financial Implications of General Obligation Bonds of Virginia

We have also examined the use of general obligation bonds of Virginia pursuant to Article X Section 9 (c) of the State Code. Such bonds would not require a debt service reserve fund, as would revenue bonds, and could be issued at a lower rate of interest, herein assumed at 9.25%, the impact of which is demonstrated in our summary table above. Since our summary cases above present a magnitude of total financing requirements or bonds, from about $300 million to $700 million, the impact of this magnitude of additional G. O. debt must be considered with regard to Virginia's bond rating and the possible ancillary effects on future Virginia general obligation bonds for other types of projects. Due to the lower rate of interest, this approach, if possible, would result in a lower cost of capital to the new entity and hence lower debt service and revenue requirements.

Alternative Financing Techniques for Reducing the Cost of Issuing Revenue Bonds

The interest rate on airport revenue bonds can also be reduced significantly by either employing a credit enhancement technique or by issuing notes, tax-exempt commercial paper or floating rate bonds which are priced as short-term instruments (each of which contemplate credit enhancements).

Municipal bond insurance and commercial bank lines or letters of credit are the two most accepted credit enhancement techniques. In cases where the insurance company or bank providing the credit enhancement is rated "AAA", the revenue bonds being issued also receive a "AAA" rating. This means that the revenue bonds would bear an interest rate approximately equivalent to the rate on "AAA" rated general obligation bonds issued by the Commonwealth of Virginia.

The cost of bond insurance may add from 0.17% (17 basis points) to 0.35% (35 basis points) and the cost of a bank letter of credit may add from 0.25% to 1.0% in additional interest cost on the bonds.

Short-term notes and long-term floating rate bonds, which are priced as short term instruments, also reduce the interest rate on revenue bonds. This is because the municipal yield curve is positively sloped, i.e. short-term instruments have lower interest rates than long-term bonds. The difference between the short and long ends of the yield curve has historically ranged between 200 and 500 basis points (2.0% to 5.0%).

Financial Analysis of the Separate Independent Financial Operation at Dulles and National Airports

The examples cited above present data on an aggregate basis for both airports. Our model incorporates data from each airport to arrive at the aggregate. Presented below are the results of Case 3A above ($160 million new construction and $12 million R&R) appropriately allocated to each airport.

Base Year 1990

	Landing Fee $ /1,000 Lbs.	Terminal Rental $ / Sq. Ft.	Cost per Enplaned Passenger
National	$ 0.40	$ 17.95	$ 5.02
Dulles	2.27	44.11	15.81

If Dulles and National Airports were to be operated separately from a financial standpoint, the substantially higher landing fees and terminal rentals shown above may put Dulles at a competitive disadvantage.

Working Capital Requirements and Sources

An initial infusion of working capital would be necessary to get a new entity started. MWA staff estimates such amount to range from $9 million to $12 million. Possible sources may be advances from airlines or loans from the Treasury or Virginia, each of which would be repaid as increasing levels of revenues of the new entity permitted. Taxable bank loans or commercial paper could be another potential source of working capital.

Adjustments to Airports' Fiscal Practices

Fiscal practices of a new independent entity would have to be reviewed concerning the magnitude and timing of payments from airline operators and concession contractors when such a new entity no longer had access to federal appropriations. The approval process of, and securing substantial amounts of capital for, major new improvement projects could be substantially easier if the airports were operated and controlled under a new independent entity, one which would not need to rely on federal appropriations for such projects.

Comparison of Virginia and Interstate Compact Legal and Administrative Characteristics

Our report also compares a Virginia financing entity to a multi-jurisdictional entity created by interstate compact. A Virginia entity may have certain advantages in terms of speed in creation as well as implementation and, under certain conditions, lower cost general obligation bond financing.

A Virginia financing entity could be created by the General Assembly of Virginia, while a multi-jurisdictional entity must be created by the governing body of each jurisdiction and approved by the United States Congress. Representation from each jurisdiction would be possible with either structure. Promptness of action in day to day operations, budgets and undertaking capital projects may be easier with a Virginia entity, as required approval of, or veto by, more than a single body is implicit in the multi-jurisdictional concept. Prolonged time for action may result in higher costs for planning, financing and construction improvements although the smooth operation of the Port Authority of New York and New Jersey provides an example of a multi state compact which works well.

Revenue bond financing could be undertaken on substantially equal terms by either type of entity.

General obligation ("G.O.") financing, however, would only be possible with a single jurisdiction, in this case, probably Virginia. Section 9(c) of Article X of the Virginia Constitution authorizes the use of G.O. bonds for self-supporting revenue projects. Such bonds are secured both by the pledge of project revenues and by the full faith and credit of the Commonwealth, and thus would be expected to receive the Commonwealth's AAA rating (subject to the magnitude of such financing) and lower interest rates by approximately 3/4 of 1% per year. Further, the amount of a G.O. bond issue could be reduced by eliminating the one year's debt service reserve usually required to be financed from the proceeds of a revenue bond issue and by reduced financing costs. The critical point in structuring a Section 9(c) issue is that the debt must be of an institution or agency "administered solely by the executive department of the Commonwealth".

Staffing of Airports

It is contemplated that, from an operational viewpoint, the existing management and personnel of the Metropolitan Washington Airports would become employees of either an entity of the Commonwealth of Virginia or a new multi-jurisdictional entity.

Pensions of current MWA employees covered by the Federal pension system must be considered in a transfer of MWA. There are several ways in which this can be handled, some of which could have an adverse impact on the financing capabilities of the new entity. All financial implications related to pensions should be addressed at the time of the transfer.

* * * * *

INTRODUCTION

Our analysis discusses the financial capability of the operation of Washington National Airport and Dulles International Airport (the Metropolitan Washington Airports or MWA) under public ownership by a state, local or interstate entity.

The first part of the analysis addresses the ability of the new entity:

(1) to finance capital improvements, including annual renewal and replacement expenditures at each of the airports;

(2) to make an up-front one-time purchase payment or annual payments as consideration for the transfer of the airports;

(3) to realize economic savings by issuing bonds secured by the credit of the Commonwealth of Virginia (Article X Section 9 (c) G.O. bonds) in place of municipal airport revenue bonds or by employing certain mechanisms to reduce the cost of issuing revenue bonds; and

(4) to operate each of the airports as separate independent financial operations.

A detailed quantitative financial model, which we developed, forms the basis for our evaluation of the four areas cited above.

The second part reviews, more from a qualitative standpoint:

(1) working capital requirements, both size and source; and

(2) adjustments to the airports' fiscal practices.

The final part discusses legal and administrative hurdles which would be involved in the ownership and financing of a separate airport entity by:

(1) the Commonwealth of Virginia; or

(2) an interstate compact between two or more of the affected jurisdictions.

ABILITY OF NEW ENTITY TO FINANCE MAJOR CAPITAL IMPROVEMENTS

In assessing the ability of a new entity to finance major capital improvements, we initially reviewed existing operation and maintenance expenses (O&M) at both airports and incorporated such data into our financial model together with annual cash requirements in the form of debt service or cash from revenues to finance capital improvements. Capital improvements may be comprised of either or both of: (1) major long-term capital projects financed and/or amortized over a long time frame, (e.g., 20 to 40 years); and, (2) annual capital projects for renewal and replacement (R&R) of existing capital facilities which normally have a shorter useful life, (e.g., 10 to 15 years). Both of these capital improvement components are addressed in our financial model and are reviewed in detail in Tab 3, Description of Financial Model.

Major Near-Term Capital Improvements

MWA has indicated that potential major capital improvements at the two airports, over the period 1985 to 1990, could range from a minimum level of $160 million to a maximum level of $300 million. At the minimum level, approximately $75 million is allocated for various projects at National Airport and $85 million is allocated for a new midfield terminal with 12 gates and the purchase of land for an additional runway at Dulles Airport. At the $300 million level of capital projects, $200 million is allocated at National incorporating substantial multi-level parking structures and major improvements to the terminal and $100 million is allocated at Dulles Airport which covers the new midfield terminal (with 18 gates) and the purchase of land for an additional runway.

We have assumed that major capital improvements would be financed by senior lien revenue bonds or Virginia G.O. bonds.

Renewal and Replacement Capital Expenditures

Since 1980, MWA has been making annual R&R expenditures in the range of $11 to $14 million, paying for various short-term projects such as runway paving, major maintenance in excess of ordinary O&M, minor improvements to existing facilities, etc. These monies have been secured by MWA through the Treasury via the normal federal appropriations process, and must be budgeted for some two years in advance of the actual expenditures. Therefore, the financial analysis of the operation of the airports by a new entity must address not only the proposed major capital improvements but also the ability to fund, either from revenues or intermediate term debt, the R&R requirements on an annual basis.

Our financial model first shows the impact of financing the major capital improvements without regard to R&R requirements and second, addresses such R&R requirements at an assumed level of $12 million annually to show the incremental impact on gross revenues required by each of these capital components.

We have analyzed the impact on revenue requirements of annual R&R expenditures in two ways: (1) finance R&R requirements with intermediate-term debt on an annual basis (amortizing such debt over ten years); and, (2) pay for annual R&R requirements out of gross revenues of the system after deducting O&M expenses and major capital improvements debt service.

The financing of R&R expenditures causes revenue requirements for such purpose to gradually build up over time as debt service is aggregated from the annual sale of debt. However, at some point in the future, between five and ten years out, debt service for on-going R&R projects begins to exceed the annual cash requirement. Therefore, we have compared the financing approach of funding R&R expenditures with the approach of paying for R&R out of revenues. This annual payment approach causes revenue requirements in the early years to substantially exceed the gradually increasing debt service incurred pursuant to the financing approach with the resultant impact on landing fees and terminal rentals in the early years. Our analysis presents the results of each alternative for review by the Commission but makes no conclusion with respect to the appropriateness of either method.

Impact of Sales Price or Lease Payments to Federal Treasury for Transfer of Airports

If a primary consideration to the operation of the airports under a new entity is the implementation of a major capital improvements program, together with providing for ongoing R&R expenditures, then debt service or lease payments related to a sales price of the airports must be added to O&M, debt service related to capital improvements and R&R expenditures.

For purposes of analyzing the impact of a possible sales price, we have assumed three alternatives:

(1) $341.5 million suggested by the Grace Commission as its "average price";

(2) $90 million as the current depreciated book value of the airport assets;

(3) $70 million representing the net recoverable investment in existing airport facilities by the Federal Government.

(4) $0 reflecting the public purpose nature of the transfer.

The net asset value of MWA, representing the total asset value less capital reimbursements to the federal government, may provide another basis for determining a possible sales price, and is also considered in this analysis.

We have assumed that the purchase of MWA would be financed through: (1) third lien revenue bonds; (2) Virginia G.O. bonds; or, (3) lease payments (installment sale payments) for Treasury.

Financing Assumptions

In cases where expenditures are financed through the issuance of revenue bonds, 10% and 10.5% interest rates are assumed for senior lien and junior lien bonds, respectively. Revenue bond issues are sized, and annual debt service estimated, assuming the establishment of a debt service reserve fund and a final maturity in 30 years. The issuance of general obligation bonds is assumed at an interest rate of 9.25% with no reserve fund. In all cases of bond issuance for major improvement construction purposes, interest payable during construction is capitalized, a four year construction period (1986 through 1989) with equal annual drawdowns assumed, and new bonds would be issued each year in accordance with Treasury arbitrage regulations. Total cost of bond issuance is assumed to equal 3% of the principal amount of bonds (includes fees associated with architects, engineers, feasibility consultants, legal counsel, independent accountants, printing and underwriting).

It should be noted that the interest rates assumed in this analysis were chosen on the basis of the interest rate in revenue bonds assumed by the Grace Commission in its analysis of an ownership transfer of MWA. These rates do not represent prevailing market rates. The interest rate differentials between general obligation bonds and senior lien and junior lien revenue bonds do, however, roughly approximate differentials in the market. For a review of historical interest rates and a current yield curve for single 'A' airport revenue bonds, see Tab 7.

Financial Implications of General Obligation Bonds of Virginia

In this section, we have also considered the financial implications of using bonds secured either directly or indirectly by the general obligation pledge of the Commonwealth of Virginia. One method would be the direct issuance by Virginia of its G.O.

bonds, secured only by the unlimited pledge of the State's full faith and credit taxing power. Another method could have the new entity finance its capital needs through issuance of bonds by the State secured first by the net revenues generated by the Airports and second, by the pledge of Virginia to appropriate funds annually to make up any deficiencies in the debt service fund resulting from insufficient net revenues to cover debt service on the outstanding bonds. The strength of this pledge will have a significant impact on the rating of the bonds, and hence, interest rate for such bonds, compared with AAA direct general obligation bonds of Virginia. The State has available a strong dual lien financing provision contained in Article X Section 9 (c) of the Virginia Constitution.

In addition to the strong financial capacity of Virginia resulting in its Aaa bond rating, Virginia has relatively few general obligation bonds outstanding at this time. The impact of adding some $300 to $700 million of bonds to the State's outstanding debt load must also be considered with respect to the impact on the State's general obligation bond rating. Another consideration is the potential cost to the general citizens and taxpayers of Virginia with respect to a potential reduction in bond rating relating to future issuance of State general obligation debt and such impact on interest rate on the debt of a new airport entity secured by such pledge.

For purposes of analyzing this impact, we have assumed the direct issuance of a general obligation debt at an interest rate of 9.25%, or 0.75% (75 basis points) lower than the 10% rate used in our revenue bond analysis. This 75 basis point differential is an estimate of the effect different bond ratings for the two types of issues would have on interest costs. For this analysis, we have assumed Virginia general obligation bonds would carry a triple A (Aaa by Moody's/AAA by S&P) rating, the highest available, and airport revenue bonds a single A (A/A) rating. In addition, direct general obligation debt would not require a debt service reserve fund and thus would result in lower debt issuance in these cases.

Alternative Financing Techniques for Reducing the Cost of Issuing Revenue Bonds

The interest rate on airport revenue bonds can be reduced significantly by either employing a credit enhancement technique or by issuing notes or floating rate bonds which are priced as short-term instruments.

Municipal bond insurance and commercial bank lines or letters of credit are the two most accepted credit enhancement techniques. In cases where the insurance company or bank is rated "AAA", the revenue bonds being issued also receive a "AAA" rating. This means that the revenue bonds would bear an interest rate approximately equivalent to the rate on "AAA" rated general obligation bonds issued by the Commonwealth of Virginia.

Short-term notes and long-term floating rate bonds, which are priced as short-term instruments, also reduce the interest rate on revenue bonds. This is because the municipal yield curve is positively sloped, i.e. short-term instruments have lower interest rates than long-term bonds. The difference between the short and long ends of the yield curve has historically ranged between 200 and 500 basis points (2.0% to 5.0%).

The cost of bond insurance is based upon total debt service (principal and interest) over the entire life of the bond issue. Insurance premiums are paid once, at the bond issue closing, and may range from 0.5% to 1.0% of total debt service, depending on the credit characteristics of the underlying bonds. This cost translates to about 0.17% (17 basis points) to 0.35% (35 basis points) additional true interest cost on the bonds.

The cost of a bank letter of credit may range from 0.25% to 1.0% of the principal amount of the bonds and is payable annually. This means that the additional interest cost on the bonds would also range from 0.25% to 1.0%.

Detailed Analysis

Detailed analysis and description of various cases is contained in Tab 4 to this report which reviews: (1) the bond issue sizing model and assumptions used in generating revenue requirements with assumptions concerning the possible sources of revenue and allocation among sources; (2) detailed discussion of the various cases analyzed; (3) a summary matrix showing the results of each case; and, (4) detailed numerical backup data for each case.

A summary of seven representative cases which contain many of the elements previously discussed and present relative minimum and maximum cost scenarios follows. The case numbers relate to the same case numbers which appear in Tab 4, Tab 5 and Tab 6 to this report and in the matrix summary.

Data which follows is presented for 1990, the first full year of debt service following completion of the proposed major capital improvements.

CASE NUMBER	CAPITAL COST - NEW CONSTRUCTION	ANNUAL RENEWAL & REPLACEMENT	PURCHASE PAYMENT TO U.S.	TYPE OF BONDS	INTEREST RATE ASSUMED	TOTAL BONDS ISSUED	NET ANNUAL DEBT (a) SERVICE	REVENUE REQUIREMENT	IMPLIED LANDING FEE $/1000 LBS	IMPLIED SQUARE FOOT RENTAL COST	AVERAGE COST PER ENPLANED PASSENGER
2 - A	$160,000	-	-	REVENUE	10.00%	$233,657	$22,307	$70,240	$0.68	$21.23	$6.50
3 - A	$160,000	$12,000	-	REVENUE	10.00%	$308,308	$33,477	$84,513	$1.02	$31.91	$7.82
3 - B	$160,000	$12,000	-	GEN. OBL.	9.25%	$264,313	$29,889	$79,098	$0.89	$27.86	$7.32
4 - A	$160,000	$12,000	$341,500	REVENUE	10.00%	$703,599	$71,216	$122,252	$1.92	$60.16	$11.31
4 - C	$160,000	$12,000	$90,000	REVENUE	10.00%	$412,484	$43,423	$94,459	$1.25	$39.36	$8.74
4 - D	$160,000	$12,000	$90,000	GEN. OBL.	9.25%	$357,097	$39,121	$88,330	$1.11	$34.77	$8.17
4 - G	$160,000	$12,000	$70,000 (b)	REVENUE	10.00%	$233,657	$29,006	$82,742	$0.97	$30.59	$7.66

(a) Net annual debt service equals total debt service payable (without additional coverage) less interest earnings on any debt service reserve funds.

(b) Purchase price based on net recoverable investment in existing airport facilities to be paid to FAA in 15 annual installments with assumed interest at average imputed cost of federal borrowing.

We make no conclusions regarding appropriate levels of major capital expenditures, appropriate levels of R&R or appropriate purchase prices or lease payments for the use of the airports by a new entity. Therefore, we cannot say which case is most realistic. From an investment banking point of view, however, to the extent that a new entity could raise these end user charges without adversely affecting passenger traffic and airline use of the facilities and hence, total projected revenues, most of the alternatives presented appear feasible. For a more precise assessment of feasibility, professional consultants experienced in airport work should be engaged. The ultimate judges of this feasibility are necessarily the bond rating agencies and credit enhancement providers, (the commercial banks and bond insurance companies) as well as the investment public, all of whom must assess the ability of a local ownership entity to assure that MWA can generate a level of revenue sufficient to meet all financial requirements. Historical statements of revenues and expenses for fiscal years 1979 - 1983 can be found in Tab 8.

FINANCIAL ANALYSIS OF THE SEPARATE INDEPENDENT FINANCIAL OPERATION AT DULLES AND NATIONAL AIRPORTS

In considering a separate independent financial operation of Dulles and National Airports, we have paid particular attention to historical deficit operations at Dulles Airport, levels of passenger traffic, landing weights and terminal rentals. We have utilized the same methodology as shown in our previous analysis of the combined operation for each individual airport. We have allocated the capital costs for major capital improvements as described earlier ($85 million at Dulles, $75 million at National) and have allocated equal amounts of R&R at the $12 million annual level ($6 million to each airport). For this brief summary analysis, we have not assumed a payment to the Federal Government for the airports since we had no sound basis for the allocation. Our results appear below utilizing the assumptions in Case 3A shown in the previous table:

Base Year 1990	Landing Fee $ /1,000 Lbs.	Terminal Rental $ / Sq. Ft.	Cost per Enplaned Passenger
National	$ 0.40	$ 17.95	$ 5.02
Dulles	2.27	44.11	15.81

As the table shows, substantially higher landing fees and terminal rental charges would be required to support operating expenses and new levels of debt and debt service when compared with National Airport. Based upon information regarding MWA's current policy of encouraging further use and expansion at Dulles Airport, the substantial disparity in cost level at Dulles under such separate operation might have an opposite effect to previously stated MWA policy and further, might even force traffic to use competitive facilities elsewhere. Should this separate operation be seriously considered, a professional airport feasibility consultant should be engaged to determine the potential impact on passenger traffic regarding such high cost levels applicable to Dulles.

WORKING CAPITAL REQUIREMENTS AND SOURCES

We have been requested to review the possible level of working capital required to operate both Dulles and National Airports under the ownership of a new entity as well as potential immediate and long-term sources for such working capital. MWA staff has estimated that, should the airports no longer have access to federal appropriations for O&M purposes, approximately three or four months of operating expenses should be provided for the initial year or two of operation of the airports under ownership by a new entity. This amount ranges from $9 million to $12 million.

Many municipal enterprise funds issue portions of intermediate and long-term debt to provide working capital for their operations. This is not possible in the case of a new entity operating the airports since the bonds issued would be technically "Industrial Development Revenue Bonds", and such bonds are specifically precluded from financing working capital pursuant to prevailing Treasury regulations.

One source of such working capital might be through advance payments by the airlines in the form of landing fees and/or terminal rentals which would subsequently be reimbursed to such contributing airlines for possible consideration to be negotiated. Another alternative would be for the Federal Government to contribute the working capital to the airports for the first few years of operation until sufficient levels of working capital have been generated through the airport operations at higher levels of landing fees and terminal rentals. This might be accomplished by the issuance of a note to the Treasury by the new entity which would be repaid over a specified period of time. A further alternative, should Virginia be involved in pledging its credit in one form or another, would be for Virginia to make a similar contribution in return for a note as suggested that the Federal Government might do. Another possibility would be for the new entity to secure bank loans or issue short-term commercial paper in the taxable marketplace at prevailing taxable interest rates.

It is anticipated that after several years of operation by a new entity, the absolute level of working capital might be reduced to a level of 45 to 60 days as a result of certain changes in the timing of payments by the airline operators and concession contractors.

ADJUSTMENTS TO AIRPORTS' FISCAL PRACTICES

Since MWA is currently operated as an entity of the Federal Government, it receives annual appropriations for both O&M expenses and annual capital expenditures. These amounts are generally available from the Treasury at the beginning of the fiscal year. Airline operator and concession contractor payments offset budgeted O&M when received. While monthly revenues usually reflect monthly expenses, this may not always be the case. A new ownership entity must be self supporting and would not have access to appropriations, whether for O & M or capital purposes from the Federal Treasury. For instance, if the airports were operated under a new entity, the bond resolution securing and authorizing the issuance of revenue bonds would require monthly payments for services to the new entity, and would provide default clauses for failure to make payments when due. In addition, from a cash flow standpoint, the new entity needs such monthly revenue in order to maintain minimum balances of working capital.

From the standpoint of securing approval of, and the capital for, major new construction projects as well as changed levels of R&R requirements together with annual budgets, the operation by the new entity owning the airports would be substantially more simple than the current budgetary and congressional appropriations mechanism for MWA.

The difficulty in receiving approval of major new projects, and the Federal appropriations to fund such projects, regardless of the costs or economic benefits, has previously been experienced by another unit of the Department of Transportation, the National Aviation Facilities Experimental Center ("NAFEC", now "FAATC") in the replacement of some 42 World War II naval barracks buildings and 16 trailers at its site in Pomona, New Jersey.

From the early 1960's, NAFEC (FAATC) attempted to modernize its facilities, to achieve logistical and energy efficiencies, into a single building on its site at the formal Naval Air Station in Egg Harbor Township, Pomona, New Jersey. The Atlantic County Improvement Authority (a political sub-division of the State of New Jersey) provided an alternative financing vehicle to Federal appropriations. Project cost estimates in the mid 1960's amounted to some $16 million. Due to the inability of NAFEC to secure sufficient appropriations at that time, the project was postponed as it was approximately every two years thereafter. By the time the financing was consummated through the Atlantic County Improvement Authority (NJ), the project costs, due to delays and inflation, were estimated to be approximately $50 million. Nevertheless, the project was still deemed economic from NAFEC's standpoint, if it could amortize the capital costs over a reasonable period of time, say 20 years. The annual appropriation necessary to amortize the capital costs of $50 million amounted to approximately $5.3 million, compared with the $25 million required annual construction appropriation from the Treasury over the two year construction period. As an aside, after financing was secured in the private sector on a taxable basis, the project was completed within the budgeted 24 month construction period and some $900,000 under budget.

STAFFING OF AIRPORTS

It is contemplated that, from an operational viewpoint, the existing management and personnel of the Metropolitan Washington Airports would become employees of either an entity of the Commonwealth of Virginia or a new multi-jurisdictional entity.

Pensions of current MWA employees covered by the Federal pension system must be considered in a transfer of MWA. There are several ways in which this can be handled, some of which could have an adverse impact on the financing capabilities of the new entity. All financial implications related to pensions should be addressed at the time of the transfer.

PROVISIONS FOR CREATING DEBT BY THE COMMONWEALTH OF VIRGINIA AND ITS AGENCIES

Debt of the Commonwealth and its agencies is governed by Section 9 of Article X of the Constitution of Virginia. Debt for acquisition or improvement of the Metropolitan Washington Airports may be incurred under three separate provisions of Section 9.

Section 9 (b) authorizes general obligation debt for capital projects. Such debt must be authorized by specific legislation by the General Assembly which must then be approved at a state-wide election. The critical issue is whether debt for this purpose would receive the necessary approvals, first from the General Assembly, then by the Governor who must sign the legislation and, finally, by the electorate. Section 9 (b) bond financing for this project is considered politically unlikely.

Section 9 (c) authorizes debt for certain revenue producing capital projects. These are "double barrel" bonds payable in the first instance by a pledge of net project revenues and additionally secured by a pledge of the full faith and credit of the Commonwealth.

The requirements for such debt contemplate (1) a finding by the Governor "based upon responsible engineering and economic estimates" that anticipated net revenues will be sufficient to pay debt service and any required reserves, (2) authorization by two-thirds of the members of each house of the General Assembly, and (3) a second finding by the Governor of the sufficiency of net revenues prior to the issuance of the bonds. The most difficult aspect of Section 9 (c) bonds is that they may be used only for institutions of higher learning or "institutions and agencies administered solely by the Executive Department" of the Commonwealth. While there is no definitive meaning of this phrase, a financing structure can be devised to fit this requirement.

The most likely prospect is to create a commission, agency or other entity within the Highway and Transportation Department. This would follow established precedents for issuing Section 9 (c) bonds for toll highway projects. It will be important to recognize the need for involvement by other governmental entities such as the District of Columbia. At the same time, the essential nexus to the Highway and Transportation Department must be retained through such means as required approval of projects and financing by the Governor or an official within the Department.

The existing Virginia Aviation Commission created by Virginia Code Section 5. 1-2.1 with powers to develop and operate airports probably does not qualify. This Commission does exist within the Department of Aviation (Section 5.1-2.1) which is subordinate to the Secretary of Transportation (Section 5.1-1.1). The members of the Commission serve at the pleasure of the Governor. But since the Commission is authorized to exercise most of its powers, such as acquiring and constructing airports and issuing bonds, without approval by the Governor or the Secretary of Transportation, it is not administered "solely by the Executive Department of the Commonwealth". While one solution may be to amend the legislation creating the Virginia Aviation Commission, a better solution may be to create an entirely new agency for the sole purpose of administering the Metropolitan Washington Airports.

The typical independent authority that has been used for financing public improvements in Virginia apparently would not be considered as being administered solely by the Executive Department. While such an authority may be governed by a board or commission appointed by the Governor, customarily it is not within his control or under his supervision. It goes without saying that an entity created by an interstate compact would not qualify either. Such an entity would have representation from outside of the Commonwealth and would certainly exist independently of the Executive Department of the Commonwealth.

Section 9 (d) provides that other restrictions on state debt are not applicable to obligations incurred by the Commonwealth or any of its institutions, agencies or authorities so long as the full faith and credit of the Commonwealth are not pledged. This is a constitutional recognition that pure revenue bonds of state agencies may be issued on an ad hoc basis as they have in the past. Revenue bonds of the State Highway Commission, Virginia Ports Authority and variety of state agencies and authorities have been approved by decisions of the Virginia Supreme Court going back to 1949. Thus, pure revenue bonds may be issued by any entity created by the General Assembly or by an interestate compact within the limits of its authorizing legislation and without regard to the constitutional limitations of Section 9.

The applicable language of Section 9 of Article X of the Constitution of Virginia follows.

CITATION FROM THE VIRGINIA CONSTITUTION AUTHORIZING G.O. BONDS

Section 9 of Article X, Constitution of Virginia

State debt. No debt shall be contracted by or in behalf of the Commonwealth except as provided herein.

(a) Debts to meet emergencies and redeem previous debt obligations.

***

(b) General obligation debt for capital projects and sinking fund.

***

(c) Debt for certain revenue-producing capital projects.

The General Assembly may authorize the creation of debt secured by a pledge of net revenues derived from the rates, fees, or other charges and the full faith and credit of the Commonwealth, and such debt shall not be included in determining the limitation on general obligation debt for capital projects as permitted elsewhere in this Article, provided that

(1) the creation of such debt is authorized by the affirmative vote of two thirds of the members elected to each house of the General Assembly; and

(2) such debt is created for specific revenue-producing capital projects (including the enlargement or improvement thereof), which shall be distinctly specified in the law authorizing the same, of institutions and agencies administered solely by the Executive Department of the Commonwealth or of institutions of higher learning of the Commonwealth.

Before any such debt shall be authorized by the General Assembly, and again before it shall be incurred, the Governor shall certify in writing, filed with the Auditor of Public Accounts, his opinion, based upon responsible engineering and economic estimates that anticipated net revenues will be sufficient to pay debt service and any required reserves.

INTERSTATE COMPACTS

A multi-jurisdictional compact between two or more of Virginia, Maryland and the District of Columbia would provide a viable vehicle for the ownership and operation of the Metropolitan Washington Airports. Such an interstate compact is created by concurrent legislation in each jurisdiction which must then be approved by the Congress of the United States. Section 10 of Article 1 of the United States Constitution provides, in part: "No state shall, without the consent of Congress..., enter into any agreement or compact with another state...."

The Port Authority of New York and New Jersey created in 1921 provides the clearest example of an interstate compact which leases and operates, among other things, airport facilities. It has been observed that the governors of New York and New Jersey have a veto power over all actions of this authority. There is no requirement beyond the provisions of the compact itself that there be any veto power or other control exercised by the member jurisdictions. An interstate compact for the Metropolitan Washington Airports could be structured in a variety of ways with such representation and controls, lack of controls, by the member jurisdictions as may be agreed.

A compact between Tennessee and Missouri creating a Tennessee-Missouri Bridge Commission to own and operate a bridge across the Mississippi River was approved by Congress in 1949 (60 Stat. 847). This compact reserved to each of the states the right to give its governor a veto power over any action of any commissioner appointed from his state. An interstate compact to create the Tennessee-Virginia Bi-State Thermal Authority, which was considered by the legislatures of both states but never implemented, contemplated a solid waste disposal facility in or near Bristol, Virginia-Tennessee. That legislation required certain approvals by the governing bodies of the City of Bristol and the adjoining county in both Virginia and Tennessee. But no provision was made for approval of or veto power by the governor or any state official.

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METROPOLITAN WASHINGTON AIRPORTS - ANALYSIS OF TRANSFER TO NEW ENTITY

DESCRIPTION OF FINANCIAL MODEL

The financial model utilized for this analysis consists of two sections:

Section 1 of the model sizes bond issues and determines annual debt service levels on the basis of the capital costs estimated in each scenario. Section 2 of the model uses the information generated in Section 1 of the model to project the level of revenue which will be required to meet all financial and operating costs associated with a transfer of ownership of MWA. Each of the Sections is described below.

SECTION 1 -- BOND SIZE AND ANNUAL DEBT SERVICE PROJECTIONS

It is conceivable that a transfer of ownership of MWA will result in the issuance of bonds for three different purposes: (1) to finance new construction; (2) to finance annual renewal and replacement requirements now financed through appropriations by the federal government; and, (3) to pay the federal government for the purchase of MWA. The number of bonds to be issued for each purpose will reflect both the amount of capital required as well as additional costs associated with issuing the bonds. Section 1 of our model uses several formulas to arrive at these costs and to thereby determine bond issue sizes. The model uses an additional formula to determine levels of annual debt service. Described below are brief descriptions of the components which determine a bond issue size.

Construction Costs

If capital to be raised is to be put to immediate use, then this component of a bond issue is equal to the absolute level of capital required. If capital is to be raised in order to construct new facilities, however, then that capital may be spent over a period of months (or in certain cases, years). The capital that remains unspent may be invested and may therefore earn interest. In such cases, the construction component of a bond issue will be "net funded" to reflect the earnings which will accrue on unspent construction funds. Our model utilizes a net funding formula.

Capitalized Interest

In cases where bonds are being issued to construct a project which will not be complete for several years, a portion of bond proceeds must be used to pay interest on the bonds until a project is completed and generates sufficient revenue to pay debt service costs. A capitalized interest fund is established for this purpose. As in the case of the construction fund, the capitalized interest fund will be net funded. Our model utilizes a formula which determines the amount of interest which will be capitalized and which adjusts this amount by a net funding computation.

Debt Service Reserve Fund

The covenants underlying a revenue bond financing provide for the establishment of a debt service reserve fund equal to the maximum annual debt service on the bonds. This reserve fund can be invested throughout the life of the bond issue to the extent that no draws on the fund are made. Our model provides for the creation of a net funded debt service reserve fund.

Costs of Issuance

All bond issues will require the issuer to incur costs related to the services rendered by accountants, attorneys and underwriters. In addition, other costs, including printing costs and rating agency fees will also be incurred. Our model assumes that costs of issuance will appoximate three percent of the total amount of bonds issued.

Summary

As a result of utilizing formulas to determine each of the components described above, the model aggregates these components to arrive at a total bond issue size. An additional formula can be applied to this number in order to determine annual debt service levels. Finally, our model allocates bond issues and debt service costs between National and Dulles Airports. The basis for allocation is the estimated magnitude of new capital to be used by each airport.

SECTION 2 -- ESTIMATED REVENUE REQUIREMENTS

Incorporating information obtained from Section 1 of our model, Section 2 of the model derives the level of revenue required to meet all financial and operating costs associated with a transfer of ownership of MWA. This section of the model consists of two subsections. Subsection A aggregates total revenue required to meet expenses in three categories: operating expenses, debt service and cash payments to cover annual renewal and replacement costs. Subsection B aggregates four sources of revenue: concession revenue, rental fees, landing fees and other revenue. In essence, Section 2 of the financial model is the equivalent of a sources and uses of funds statement. It is described in greater detail below.

Subsection A -- Projected Revenue Requirements

In order to arrive at an estimate of the total revenue which will be required under each scenario considered in our analysis, projections were made of annual expenses in the three categories mentioned above: operating expenses, debt service and cash payments to cover renewal and replacement costs.

Operating Expenses

The model assumes that annual operating expenses will remain equal to the level of expenses which are estimated to be incurred in 1985 and adds an increment which accounts for the cost of operating new facilities whose construction will be complete by 1990. The model has the capability to adjust the sum of existing and additional operating expenses for some assumed rate of inflation.

Debt Service

Section 2 of the model incorporates the debt service levels projected in Section 1 for each type of bond issued (i.e., senior lien revenue, general obligation, etc.). These debt service levels are adjusted in two ways, however. First, it is assumed that bond covenants will require that a debt service coverage ratio be employed whereby revenue be generated at some level above 100% of debt service. A coverage ratio of 1.25, which is assumed by our model, would provide that 125% of total debt service be generated (after deduction of annual O&M expenses from gross revenues). Second, it is assumed that revenue bond financings would require the creation of a debt service reserve fund equal to the maximum annual debt service on the bonds. Earnings generated from the investment of the reserve fund would be used to offset total debt service requirements. Hence, our model projects net debt service requirements.

Cash Payment to Cover Annual Renewal and Replacement Expenditures

Our model considers the annual cash payment which will be required to cover annual renewal and replacement costs to the extent that such costs are not financed through the issuance of junior lien revenue bonds. Subtracted from these annual payments, however, is the "excess" revenue which will be generated as a result of imposing a 1.25x debt service coverage ratio. This ratio assures that revenue equal to 125% of debt service is raised even though only revenue equal to 100% is actually paid out for debt service. This coverage ratio in excess of 1.0 provides a "safety margin" for bondholders and a revenue "cushion" for the operating entity during periods of lower activity and/or higher costs.

Summary

In order to arrive at annual levels of total revenue requirements, our model simply adds the three categories of expense described above. The resulting sum is then used as the basis for projecting sources of revenue, a process which is described in some detail in the paragraphs below.

Subsection B -- Revenue Source Projections

To aid the Commission in assessing the relative impact of gross revenue requirements on landing fees and terminal rentals, our model quantifies the source of revenue needed to support annual expenditures. Since calculations related to terminal rentals, landing fees and concession revenue are normally performed by professional feasibility consultants, such estimates should only be considered in a relative "ball park" sense in comparing one case to another, not as an absolute statement of fact. We were able to perform such calculations only with significant input and guidance from MWA staff and enumerate below the assumptions and algorithms which were used.

Our model assumes that revenue requirements can be met through four revenue sources: 1) concession revenue; 2) rental fees; 3) landing fees; 4) other fees (mobile lounge fees, security fees, utility sales, etc.). This equation can be expressed as follows:

(A) Concession Revenue + Rental Fees + Landing Fees + Other Fees = Revenue Requirements

One potential source of capital for construction, Federal Government AIP grants, were ignored given the difficulty of determining whether such grants will actually be available in the future. The model establishes the relative contribution of each source of revenue toward meeting total requirements on the basis of a "residual cost" formula suggested by MWA staff. According to that formula, the amount of revenue to be derived from rental and landing fees equals the difference between the total amount of revenue required (which is determined according to the elements described above) and the total amount of concession and other revenue projected. Our model attempts to quantify the sources of revenue needed to support annual expenditures.

It should be noted that the formula utilized in the model represents substantial simplification over the actual method used by MWA to determine levels of rental and landing fees in any particular year. In actual practice, MWA currently employs a "compensatory" approach in determining landing and rental fees. Under this approach landing and rental fees are determined on the basis of costs associated with the operation of landing and rental areas and concession and other revenues develop a "profit" or positive cash flow or a "loss" or negative cash flow. Because current use and lease agreements expire at the end of 1984, MWA is in the process of renegotiating new agreements with the airlines beginning in 1985. Therefore, landing and rental fees are difficult to forecast. As a result, it was determined that the model should be based on the residual cost method described above. Hence, projections of rental and landing fees are utilized as a tool to compare the relative financial impact of each scenario rather than as a means of forecasting the sources of revenue to MWA under any particular scenario. The formula incorporated in the model can be stated as follows:

(B) Revenue Requirements - (Concession and Other Revenue)
= Terminal Rental plus Landing Fees

Concession Revenue

Concession revenue is a function of projected passenger levels and projected per capita concession revenue. Total concession revenues are assumed to include parking revenues. The formula for concession revenue can be stated as follows:

(C) Total Passengers X Per Capita Concession Revenue = Total Concession Revenue

According to MWA staff estimates, the number of passengers at National Airport will equal 16 million from 1985 to 2000. The number of passengers at Dulles Airport will equal 4 million in 1985 and will increase by 7% annually through the year 2000. Per capita concession revenue, which equalled $1.34 in 1983, is a combined figure which reflects per capita income at both National and Dulles. As a result of both quantitative and qualitative factors, this figure is expected to increase to, and remain at, $1.59 beginning in 1985. With both factors in equation (C) known, total concession revenue on an annual basis can be projected through the year 2000.

Other Revenue

As suggested by MWA staff, the model assumes that other revenue, comprised of such components as security fees and utility sales, will be generated in any given year in an amount equal to 18% of operating expenses in that year.

Rental and Landing Fees

Using our model to project Total Revenue Requirements and MWA estimates to forecast Concession and Other Revenue, we can use equation (A) to arrive at the total amount of rent and landing fees to be generated.

According to MWA staff, this amount can be divided between rent and landing fees according to the following formulae:

(D) 46.7% X Total Rent and Landing Fees = Rental Fees
53.3% X Total Rent and Landing Fees = Landing Fees

Rental Fees

Rental fees are comprised of two components, rental charges per leased square foot and number of square feet. The relationship between the two is as follows:

(E) $ per square ft. X # square feet rented = Rental Fees

MWA staff have indicated that National Airport contains 276,815 rentable square feet and that Dulles contains 145,793 rentable square feet. MWA staff have further advised that the amount of rentable square feet is likely to change as a result of ongoing negotiations with airline carriers. Since the results of those negotiations are uncertain, we have assumed a one time increase of 5% in the amount of rentable space. Our model does assume an additional 180,000 square feet will be added to Dulles in 1990, upon completion of construction of a midfield terminal. Since total rental fees can be derived according to formula (D), and since the number of square feet of the MWA can be estimated, the implied average $ per square foot rental charge which must be imposed in order to meet total revenue requirements can be deduced by our model on the basis of formula (E).

Landing Fees

Landing fees are comprised of two components, the total weight of aircraft landing at MWA and the landing charge which is imposed on the airlines. The relationship can be expressed as follows:

(F) $ per 1,000 lbs. landing fee rate X # of 1,000 lbs. units of weight = $ of Landing Fees

According to MWA staff, the total weight of aircraft landing at the MWA will equal 16,690 million lbs in 1984 and will increase annually by five percent thereafter. Since total landing fees can be derived according to formula (D), and since the landing weight at the MWA can be estimated, the implied $ per 1,000 lbs. can be deduced by our model on the basis of formula (F).

Summary

Utilizing the revenue requirement projections of our model as well as the assumptions made by MWA staff, our model generates the amount of revenue which must be produced by each source specified in formula (A). In so doing, the model derives implied landing and rental fees on an annual basis. The model does not attempt to smooth the year to year fluctuations in implied landing and rental fees since decisions regarding techniques for such smoothing are more appropriately made by MWA staff and professional feasibility consultants. It should be noted that in those years when the sum of Other Revenue and Concession Revenue exceeds total revenue required, a surplus is generated. In all other years, sufficient revenue from rental and landing fees is generated to allow the ownership entity to break even.

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

SUMMARY OF ALTERNATIVE FINANCING CASES ANALYZED

CASE 1 - PURCHASE OF AIRPORTS

The Grace Commission Report suggests that a transfer of MWA to local ownership may involve some form of payment to the Federal Government. Case 1 analyzes the financial implications of such a payment according to different purchase prices and financing techniques.

A......................Purchase Price: $341.5 Million
Senior Lien Revenue Bonds - 10% Interest Rate

Case 1A assumes a purchase of MWA at a price of $341.5 million. This price is based upon the Grace Commission's estimate of the average of three purchase prices for MWA arrived at using different valuation methodologies. The Case assumes that the purchase would be financed through the issuance of senior lien revenue bonds with an average interest rate of 10%. The issuance of municipal bonds, and of revenue bonds in particular, would involve certain costs in addition to the base purchase price. Such costs are associated with the need to capitalize interest, create a debt service reserve fund and pay legal, accounting, underwriting and other fees.

B......................Purchase Price: $341.5 Million
General Obligation Bonds - 9.25% Interest Rate

Case 1B modifies Case 1A by assuming that the purchase would be financed through the issuance of general obligation bonds, or bonds ultimately secured by the Commonwealth of Virginia. Since such bonds would be backed by the taxing power of Virginia, a State with a G.O. bond rating of Aaa, the rate on the bonds is assumed to be approximately 9.25%, or 75 basis points below that on revenue bonds. In addition, general obligation bonds would obviate the need for a debt service reserve fund. Accordingly, the amount of bonds issued and the magnitude of annual debt service requirements would be lower in this Case than in Case 1A.

C.....................Purchase Price: $90 Million
Senior Lien Revenue Bonds - 10% Interest Rate

Case 1C assumes a purchase at a price of $90 million. This price represents the approximate book value of MWA facilities. It has been suggested that a purchase price of $90 million may be more realistic than the $341.5 million price discussed above. As in Case 1A, however, this Case assumes that the purchase would be financed through the issuance of senior lien revenue bonds with an average interest rate of 10%.

D.....................Purchase Price: $90 Million
General Obligation Bonds - 9.25% Interest Rate

Case 1D also assumes a purchase at a price of $90 million. As in Case 1B, this Case assumes that the purchase would be financed through the issuance of general obligation bonds.

CASE 2 - NEW CONSTRUCTION AT MINIMUM COST: $160 MILLION

The local ownership entity of MWA must be capable of supporting the cost of capital improvements, namely the proposed new construction at Dulles and National Airports. This Case analyzes the financial implications of financing such new construction according to different financing costs and techniques. It is assumed here that construction would be completed at a minimum cost of $160 million. This cost is comprised of $85 million for midfield terminal development at Dulles Airport and $75 million for a minimal modernization program at National Airport. It is further assumed that construction would be completed over the course of four years, and that $40 million in new bonds would be issued during each of those years.

A.....................Senior Lien Revenue Bonds - 10% Interest Rate

Case 2A assumes that the cost of construction would be financed through the issuance of senior lien revenue bonds with an average interest rate of 10%.

B.....................General Obligation Bonds - 9.25% Rate

Case 2B assumes that the cost of construction would be financed through the issuance of general obligation bonds with an average interest rate of 9.25%. Again, the issuance of general obligation bonds, regardless of the use of bond proceeds, can be completed at a lower cost than the issuance of revenue bonds as a result of the taxing power which backs such bonds and smaller issue size.

C......................Senior Lien Revenue Bonds - 12% Interest Rate

As in Case 2A, Case 2C assumes that the cost of construction would be financed through the issuance of senior lien revenue bonds. In this case, however, it is assumed that average interest cost on the bonds would be 12%. Given the volatility of the capital markets, and the consequent inability to predict interest rate levels, it is important to consider the financial impact of different interest rates, which in this Case is represented by a 2% increase in the cost of financing.

CASE 3 - NEW CONSTRUCTION AT MINIMUM COST: $160 MILLION AND ANNUAL RENEWAL AND REPLACEMENT EXPENDITURES

In addition to supporting the cost of new construction at MWA, a local ownership entity must also have the financial wherewithal to meet the cost of annual renewal and replacement (R&R) needs. Case 3 analyzes the financial impact of financing new construction as well as providing for annual renewal and replacement expenditures according to different financing costs and techniques. Renewal and replacement expenditures would be divided evenly between Dulles and National Airports.

A......................Senior Lien Revenue Bonds - 10% Interest Rate
(New Construction at Minimum Cost)
Junior Lien Revenue Bonds - 10.5% Interest Rate
($12 Million Annual Renewal and Replacement)

Case 3A assumes that $160 million in new construction would be financed through the issuance of senior lien revenue bonds with an average interest rate of 10%. This Case further assumes that annual renewal and replacement expenditures would be financed through the issuance of $12 million in junior lien revenue bonds with an average interest rate at 10.5%. The rationale for issuing junior lien revenue bonds is that the typical flow of funds of a municipal revenue bond provides for annual renewal and replacement costs to be paid from revenues after provision for senior lien debt service and payments to the debt service reserve fund, if any. Accordingly, the lien on bonds issued to finance renewal and replacement is subordinate to that on bonds issued to finance new construction. This Case further assumes that the junior lien revenue bonds would be amortized over a period of ten years, since the average life of such R&R projects may be substantially less than major capital improvements.

B.....................General Obligation Bonds - 9.25% Interest Rate
(New Construction at Minimum Cost and
$12 Million Annual Renewal and Replacement)

Case 3B assumes that both the $160 million in new construction and annual renewal and replacement expenditures would be financed through the issuance of general obligation bonds with an average interest rate of 9.25%. The flow of funds would provide that renewal and replacement costs be paid after debt service costs; however, since all bonds would be backed by a general obligation of the State of Virginia, the rates on the bonds issued for both renewal and replacment and construction would be the same.

C.....................Senior Lien Revenue Bonds - 10% Interest Rate
(New Construction at Minimum Cost)
Annual $12 Million Cash Payment from Revenues
(Renewal and Replacement)

As in Case 3A, Case 3C assumes that $160 million in new construction would be financed through senior lien revenue bonds at the average interest rate of 10% and that $12 million in annual renewal and replacement expenditures would be paid for out of revenue rather than financed through the issuance of junior lien bonds.

CASE 4 - NEW CONSTRUCTION AT MINIMUM COST: $160 MILLION AND ANNUAL RENEWAL AND REPLACEMENT AND PURCHASE OF AIRPORTS

Using different purchase prices and financing techniques and costs, Case 4 attempts to portray the financial impact of completing new construction, providing for annual renewal and replacement expenditures and compensating the Federal Government for a transfer of MWA. In so doing, this Case includes all likely capital requirements and therefore would involve the greatest magnitude of annual expenditures.

A.....................Senior Lien Revenue Bonds - 10% Interest Rate
(New Construction at Minimum Cost)
Junior Lien Revenue Bonds - 10.5% Interest Rate
($12 Million Annual Renewal and Replacement)
Third Lien Bonds
(Purchase of Airports at $341 Million)

As in Case 3A, Case 4A assumes that $160 million in new construction would be financed through the issuance of senior lien revenue bonds at the average interest rate of 10% and that annual renewal and replacement expenditures would be financed through $12 million in junior lien revenue bonds with an average interest rate of 10.5%.

In addition, this case assumes that the $341.5 million cost of purchasing MWA would be financed through the issuance of third lien revenue bonds. A third lien is assumed because it is likely that the flow of funds would provide for payment to the Federal Government after provisions have been made for both debt service payments and renewal and replacement expenditures.

B....................General Obligation Bonds - 9.25% Interest Rate
(New Construction at Minimum Cost, $12 Million Annual Renewal and Replacement and Purchase of Airports at $341 Million)

As in Case 3B, Case 4B assumes that both the $160 million in new construction and $12 million in renewal and replacment expenditures would be the financed through the issuance of general obligation bonds with an interest rate of 9.25%. In addition, this Case assumes that such general obligations bonds would also finance the $341.5 million cost of compensating the Federal Government for transferring MWA.

C....................Senior Lien Revenue Bonds - 10% Interest Rate
(New Construction at Minimum Cost)
Junior Revenue Bonds - 10.5% Interest Rate
($12 Million Annual Renewal and Replacement)
Third Lien Bonds
(Purchase of Airports at $90 Million)

Case 4C modifies Case 4A by assuming that the cost of compensating the Federal Government for transferring MWA will be $90 million rather than $341.5 million.

D....................General Obligation Bonds - 9.25% Interest Rate
(New Construction at Minimum Cost, $12 Million Annual Renewal and Replacement and Purchase of Airports at $90 Million)

Case 4D modifies Case 4B by assuming that the cost of compensating the Federal Govertnment for transferring the MWA will be $90 million rather than $341.5 million.

E....................Senior Lien Revenue Bonds - 10% Interest Rate
(New Construction at Minimum Cost)
Additional Revenue Bonds
(Purchase of Airports at $90 Million)
Cash Outlays
($12 Million Annual Renewal and Replacement)

Case 4E modifies Case 4C by assuming that Annual Renewal and Replacement expenditures would be paid for out of revenues.

F.....................General Obligation Bonds - 9.25% Interest Rate
(New Construction at Minimum Cost and
Purchase of Airports at $90 Million)
Cash Outlays
($12 Million Annual Renewal and
Replacement)

Case 4F modifies Case 4D by assuming that Annual Renewal and Replacement expenditures would be paid for out of revenues.

G.....................Senior Lien Revenue Bonds - 10% Interest Rate
(New Construction at Minimum Cost)
Cash Outlays
($12 Million Annual Renewal and
Replacement) Purchase of Airports
at $70 Million with payments to the
Federal Government

Case 4G modifies 4E by assuming that the purchase price of the airports is $70 million, paid in 15 annual installments (suggested by MWA as the approximate remaining payment period over which the existing airport assets would be recovered under normal payments by MWA to the Treasury) at the imputed cost of financing of 4.9%. These payments could take the form of an installment sale payment in lieu of other financing alternatives.

CASE 5 - NEW CONSTRUCTION AT MAXIMUM COST: $300 MILLION

Case 5 assumes that new construction at MWA would be comprehensive in scope and would cost $300 million.

A....................Senior Lien Revenue Bonds - 10% Interest Rate

Case 5A assumes that the cost of construction would be financed through the issuance of senior lien revenue bonds with an average interest rate of 10%.

METROPOLITAN WASHINGTON AIRPORTS
Comparison of Cases
1990 Revenues and Expenses
($000s)

CASE NUMBER	CAPITAL COST - NEW CONSTRUCTION	ANNUAL RENEWAL & REPLACEMENT	PURCHASE PAYMENT TO U.S.	TYPE OF BONDS	INTEREST RATE ASSUMED	OPERATING EXPENSES	TOTAL BONDS ISSUED	NET ANNUAL DEBT SERVICE (a)	REVENUE REQUIREMENT (b)	CONCESSION AND OTHER REVENUES	REVENUES LESS OTHER & CONCESSIONS	IMPLIED LANDING FEE $/1000 LBS	IMPLIED SQUARE FOOT RENTAL COST	COST PER EMPLANED PASSENGER
1 - A	-	-	$341,500	REVENUE	10.00%	$37,236	$395,291	$37,739	$85,458	$41,062	$44,396	$1.06	$33.23	$7.91
1 - B	-	-	$341,500	GEN. OBL.	9.25%	$37,236	$352,062	$35,031	$81,024	$41,062	$39,962	$0.95	$29.91	$7.50
1 - C	-	-	$90,000	REVENUE	10.00%	$37,236	$104,176	$9,966	$49,945	$41,062	$8,883	$0.21	$6.65	$4.62
1 - D	-	-	$90,000	GEN. OBL.	9.25%	$37,236	$92,704	$9,232	$48,776	$41,062	$7,714	$0.18	$5.77	$4.51
2 - A	$160,000	-	-	REVENUE	10.00%	$41,736	$233,657	$22,307	$70,240	$41,872	$28,368	$0.68	$21.23	$6.50
2 - B	$160,000	-	-	GEN. OBL.	9.25%	$41,736	$202,457	$20,145	$66,917	$41,872	$25,045	$0.60	$18.74	$6.19
2 - C	$160,000	-	-	REVENUE	12.00%	$41,736	$258,023	$28,918	$78,687	$41,872	$36,815	$0.88	$27.55	$7.28
3 - A	$160,000	$12,000	-	REVENUE	10.00%	$41,736	$308,308	$33,477	$84,513	$41,872	$42,641	$1.02	$31.91	$7.82
3 - B	$160,000	$12,000	-	GEN. OBL.	9.25%	$41,736	$264,313	$29,089	$79,098	$41,872	$37,226	$0.89	$27.86	$7.32
3 - C	$160,000	$12,000 (c)	-	REVENUE	10.00%	$41,736	$233,657	$22,307	$76,044	$41,872	$34,172	$0.81	$25.57	$7.04
4 - A	$160,000	$12,000	$341,500	REVENUE	10.00%	$41,736	$703,399	$71,216	$122,252	$41,872	$80,380	$1.92	$60.16	$11.31
4 - B	$160,000	$12,000	$341,500	GEN. OBL.	9.25%	$41,736	$616,375	$64,920	$114,129	$41,872	$72,257	$1.72	$54.08	$10.56
4 - C	$160,000	$12,000	$90,000	REVENUE	10.00%	$41,736	$412,484	$43,423	$94,459	$41,872	$52,587	$1.25	$39.36	$8.74
4 - D	$160,000	$12,000	$90,000	GEN. OBL.	9.25%	$41,736	$357,097	$39,121	$88,330	$41,872	$46,458	$1.11	$34.77	$8.17
4 - E	$160,000	$12,000 (c)	$90,000	REVENUE	10.00%	$41,736	$337,833	$32,253	$85,989	$41,872	$44,117	$1.05	$33.02	$7.96
4 - F	$160,000	$12,000 (c)	$90,000	GEN. OBL.	9.25%	$41,736	$295,241	$29,377	$83,113	$41,872	$41,241	$0.98	$30.86	$7.69
4 - G	$160,000	$12,000 (c)	$70,000 (d)	REVENUE	10.00%	$41,736	$233,657	$29,006	$82,742	$41,872	$40,870	$0.97	$30.59	$7.66
5 - E	$300,000	-	-	REVENUE	10.00%	$41,736	$438,107	$41,827	$95,181	$41,872	$53,309	$1.27	$39.90	$8.81

(a) Net annual debt service equals total debt service payable (without additional coverage) less interest earnings on any debt service reserve funds.

(b) Total annual revenue requirements are equal to the sum of annual operating expenses, annual debt service, annual payments for renewal and replacement capital expenditures and annual payments (if any) for the purchase price or leasing of the airports.

(c) Renewals and replacements financed with cash payments in each year rather than issuance of bonds.

(d) Purchase price based on net recoverable investment in existing airport facilities to be paid to FAA in 15 annual installments with assumed interest at average imputed cost of federal borrowing.

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 1A Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	0	0	0	0	0
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	37236	37236	37236	37236	37236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	41932	41932	41932	41932	41932	41932	41932	41932	41932
Junior D.S. (Ann. Appl. and Applicant.)	0	0	0	0	0	0	0	0	0
Third Lien D.S. or Lease Pymts. (Paid to FAA)	0	0	0	0	0	0	0	0	0
Total Debt Service	41932	41932	41932	41932	41932	41932	41932	41932	41932
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	52415	52415	52415	52415	52415	52415	52415	52415	52415
Less D.S. Res. Fund Earnings:									
Senior	4193	4193	4193	4193	4193	4193	4193	4193	4193
Junior	0	0	0	0	0	0	0	0	0
Third Lien	0	0	0	0	0	0	0	0	0
Total Earnings	4193	4193	4193	4193	4193	4193	4193	4193	4193
Net Revenue Required for Debt Service	48222	48222	48222	48222	48222	48222	48222	48222	48222
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage	10483	10483	10483	10483	10483	10483	10483	10483	10483
Net Revenue Required for Cash Payment	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED	85458	85458	85458	85458	85458	85458	85458	85458	85458
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	48.92	48.42	47.88	47.31	33.23	32.76	32.26	31.72	31.15
Total Rental Fees	21720	21498	21260	21005	20733	20441	20129	19795	19438
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	1.35	1.27	1.20	1.13	1.06	0.99	0.93	0.87	0.82
Total Landing Fees	24790	24536	24264	23974	23663	23330	22974	22593	22185
OTHER FEES:	6702	6702	6702	6702	6702	6702	6702	6702	6702
TOTAL REVENUE PROJECTED	85458	85458	85458	85458	85458	85458	85458	85458	85458
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	8.43	8.31	8.18	8.05	7.91	7.77	7.62	7.47	7.32

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 10 Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	341500	0	0	0	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	341500	0	0	0	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	41932	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	11859	0	0	0	0	0	0	0	0
NEW BONDS-Sr	0	0	0	395291	0	0	0	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	395291	395291	395291	395291	395291	395291	395291	395291	395291
DEBT SERVICE--NEW BONDS-Sr	0	0	0	41932	0	0	0	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	41932	41932	41932	41932	41932	41932	41932	41932	41932

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	1	0	0	0	0	0	0	0	0
Capital Costs - Dulles	0	0	0	1	0	0	0	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	197645	0	0	0	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	197645	197645	197645	197645	197645	197645	197645	197645	197645
NEW BONDS-SR - DULLES	0	0	0	197645	0	0	0	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	197645	197645	197645	197645	197645	197645	197645	197645	197645
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	20966	0	0	0	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	20966	20966	20966	20966	20966	20966	20966	20966	20966
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	20966	0	0	0	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	20966	20966	20966	20966	20966	20966	20966	20966	20966

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 1B Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30		1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS										
REVENUE REQUIRED FOR OPERATING EXPENSES:										
Operating Expenses for Existing Facilities		37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie		0	0	0	0	0	0	0	0	0
Total Revenue Required for Op. Exp	1.00	37236	37236	37236	37236	37236	37236	37236	37236	37236
REVENUE REQUIRED FOR DEBT SERVICE:										
Senior D.S. (New Capital Projects)		35031	35031	35031	35031	35031	35031	35031	35031	35031
Junior D.S.(Ann. Rnwl. and Replcmnt.)		0	0	0	0	0	0	0	0	0
Third Lien D.S.or Lease Pymnts. (Paid to FAA)		0	0	0	0	0	0	0	0	0
Total Debt Service		35031	35031	35031	35031	35031	35031	35031	35031	35031
Coverage Ratio		1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt		43788	43788	43788	43788	43788	43788	43788	43789	43788
Less D.S. Res. Fund Earnings:										
Senior		0	0	0	0	0	0	0	0	0
Junior		0	0	0	0	0	0	0	0	0
Third Lien		0	0	0	0	0	0	0	0	0
Total Earnings		0	0	0	0	0	0	0	0	0
Net Revenue Required for Debt Service		43788	43788	43788	43788	43788	43788	43788	43788	43788
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)										
Annual Cash Required		0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage		8758	8758	8758	8758	8758	8758	8758	8758	8758
Net Revenue Required for Cash Payment		0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED		81024	81024	81024	81024	81024	81024	81024	81024	81024
REVENUE SOURCES										
CONCESSION REVENUE:										
Passengers - National		16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles		4200	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers		20200	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)		1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue		32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:										
Square Feet - National		291	291	291	291	291	291	291	291	291
Square Feet - Dulles		153	153	153	153	333	333	333	333	333
Total Square Feet		444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.		44.26	43.76	43.22	42.65	29.91	29.44	28.94	28.40	27.83
Total Rental Fees		19650	19427	19189	18935	18662	18370	18058	17725	17367
LANDING FEES:										
Projected Lbs. (millions)		18400	19520	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees		1.22	1.15	1.08	1.01	0.95	0.89	0.84	0.78	0.73
Total Landing Fees		22427	22173	21901	21611	21300	20967	20611	20230	19822
OTHER FEES:		6702	6702	6702	6702	6702	6702	6702	6702	6702
TOTAL REVENUE PROJECTED		81024	81024	81024	81024	81024	81024	81024	81024	81024
SURPLUS REVENUE		0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER		7.99	7.87	7.75	7.63	7.50	7.36	7.23	7.08	6.94

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 1B Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	341500	0	0	0	0	0	0	0	0
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Amt	0	0	0	341500	0	0	0	0	0	0	0	0
Debt Service Reserve Fund - Amt	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Amt	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	10562	0	0	0	0	0	0	0	0
	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------
NEW BONDS-Sr	0	0	0	352062	0	0	0	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	352062	352062	352062	352062	352062	352062	352062	352062	352062
	========	========	========	========	========	========	========	========	========	========	========	========
DEBT SERVICE--NEW BONDS-Sr	0	0	0	35031	0	0	0	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	35031	35031	35031	35031	35031	35031	35031	35031	35631

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	1	0	0	0	0	0	0	0	0
Capital Costs - Dulles	0	0	0	1	0	0	0	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	176031	0	0	0	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	176031	176031	176031	176031	176031	176031	176031	176031	176031
NEW BONDS-SR - DULLES	0	0	0	176031	0	0	0	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	176031	176031	176031	176031	176031	176031	176031	176031	176031
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	17515	0	0	0	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	17515	17515	17515	17515	17515	17515	17515	17515	17515
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	17515	0	0	0	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	17515	17515	17515	17515	17515	17515	17515	17515	17515

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 1C Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	0	0	0	0	0
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	37236	37236	37236	37236	37236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	11051	11051	11051	11051	11051	11051	11051	11051	11051
Junior D.S.(Ann. Rnwl. and Replcmnt.)	0	0	0	0	0	0	0	0	0
Third Lien D.S.or Lease Pymnts. (Paid to FAA)	0	0	0	0	0	0	0	0	0
Total Debt Service	11051	11051	11051	11051	11051	11051	11051	11051	11051
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	13814	13814	13814	13814	13814	13614	13814	13814	13814
Less D.S. Res. Fund Earnings:									
Senior	1105	1105	1105	1105	1105	1105	1105	1105	1105
Junior	0	0	0	0	0	0	0	0	0
Third Lien	0	0	0	0	0	0	0	0	0
Total Earnings	1105	1105	1105	1105	1105	1105	1105	1105	1105
Net Revenue Required for Debt Service	12709	12709	12709	12709	12709	12709	12709	12709	12709
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage	2763	2763	2763	2763	2763	2763	2763	2763	2763
Net Revenue Required for Cash Payment	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED	49945	49945	49945	49945	49945	49945	49945	49945	49945
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	11.57	11.07	10.53	9.96	6.65	6.18	5.68	5.14	4.57
Total Rental Fees	5136	4913	4675	4420	4148	3856	3544	3210	2853
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.32	0.29	0.26	0.24	0.21	0.19	0.16	0.14	0.12
Total Landing Fees	5861	5607	5336	5045	4734	4401	4045	3664	3256
OTHER FEES:	6702	6702	6702	6702	6702	6702	6702	6702	6702
TOTAL REVENUE PROJECTED	49945	49945	49945	49945	49945	49945	49945	49945	49945
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.93	4.85	4.78	4.70	4.62	4.54	4.45	4.37	4.28

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 1C Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	90000	0	0	0	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	90000	0	0	0	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	11051	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	3125	0	0	0	0	0	0	0	0
NEW BONDS-Sr	0	0	0	104176	0	0	0	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	104176	104176	104176	104176	104176	104176	104176	104176	104176
DEBT SERVICE--NEW BONDS-Sr	0	0	0	11051	0	0	0	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	11051	11051	11051	11051	11051	11051	11051	11051	11051

BOND AND DEBT SERVICE ALLOCATION

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	1	0	0	0	0	0	0	0	0
Capital Costs - Dulles	0	0	0	1	0	0	0	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	52000	0	0	0	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	52000	52000	52000	52000	52000	52000	52000	52000	52000
NEW BONDS-SR - DULLES	0	0	0	52000	0	0	0	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	52000	52000	52000	52000	52000	52000	52000	52000	52000
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	5525	0	0	0	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	5525	5525	5525	5525	5525	5525	5525	5525	5525
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	5525	0	0	0	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	5525	5525	5525	5525	5525	5525	5525	5525	5525

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 1D Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	0	0	0	0	0
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	37236	37236	37236	37236	37236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	9232	9232	9232	9232	9232	9232	9232	9232	9232
Junior D.S. (Ann. Renl. and Replcmnt.)	0	0	0	0	0	0	0	0	0
Third Lien D.S. or Lease Pymts. (Paid to FAA)	0	0	0	0	0	0	0	0	0
Total Debt Service	9232	9232	9232	9232	9232	9232	9232	9232	9232
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	11540	11540	11540	11540	11540	11540	11540	11540	11540
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	0	0	0	0	0
Junior	0	0	0	0	0	0	0	0	0
Third Lien	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	0	0	0	0	0
Net Revenue Required for Debt Service	11540	11540	11540	11540	11540	11540	11540	11540	11540
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage	2308	2308	2308	2308	2308	2308	2308	2308	2308
Net Revenue Required for Cash Payment	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED	48776	48776	48776	48776	48776	48776	48776	48776	48776
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	10.34	9.84	9.30	8.73	5.77	5.31	4.81	4.27	3.70
Total Rental Fees	4590	4367	4129	3875	3602	3311	2999	2665	2307
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.28	0.26	0.23	0.21	0.18	0.16	0.14	0.12	0.10
Total Landing Fees	5239	4985	4713	4422	4111	3770	3422	3041	2634
OTHER FEES:	6702	6702	6702	6702	6702	6702	6702	6702	6702
TOTAL REVENUE PROJECTED	48776	48776	48776	48776	48776	48776	48776	48776	48776
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.81	4.74	4.67	4.59	4.51	4.43	4.35	4.26	4.18

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 1B Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	90000	0	0	0	0	0	0	0	0
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	90000	0	0	0	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	2784	0	0	0	0	0	0	0	0
NEW BONDS-Sr	0	0	0	92784	0	0	0	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	92784	92784	92784	92784	92784	92784	92784	92784	92784
DEBT SERVICE--NEW BONDS-Sr	0	0	0	9232	0	0	0	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	9232	9232	9232	9232	9232	9232	9232	9232	9232
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	1	0	0	0	0	0	0	0	0
Capital Costs - Dulles	0	0	0	1	0	0	0	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	46392	0	0	0	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	46392	46392	46392	46392	46392	46392	46392	46392	46392
NEW BONDS-SR - DULLES	0	0	0	46392	0	0	0	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	46392	46392	46392	46392	46392	46392	46392	46392	46392
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	4616	0	0	0	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	4616	4616	4616	4616	4616	4616	4616	4616	4616
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	4616	0	0	0	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	4616	4616	4616	4616	4616	4616	4616	4616	4616

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 2A Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	24786	24786	24786	24786	24786
Junior D.S.(Ann. Rnel. and Replcant.)	0	0	0	0	0	0	0	0	0
Third Lien D.S.or Lease Pymts. (Paid to FAA)	0	0	0	0	0	0	0	0	0
Total Debt Service	0	0	0	0	24786	24786	24786	24786	24786
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	0	0	0	30983	30983	30983	30983	30983
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	2479	2479	2479	2479	2479
Junior	0	0	0	0	0	0	0	0	0
Third Lien	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	2479	2479	2479	2479	2479
Net Revenue Required for Debt Service	0	0	0	0	28504	28504	28504	28504	28504
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage	0	0	0	0	6197	6197	6197	6197	6197
Net Revenue Required for Cash Payment	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED	37236	37236	37236	37236	70240	70240	70240	70240	70240
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	0.00	0.00	0.00	0.00	21.23	20.76	20.26	19.73	19.16
Total Rental Fees	0	0	0	0	13248	12956	12644	12310	11933
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.00	0.00	0.00	0.00	0.68	0.63	0.59	0.54	0.50
Total Landing Fees	0	0	0	0	15120	14787	14431	14050	13642
OTHER FEES:	6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED	38948	39424	39934	40479	70240	70240	70240	70240	70240
SURPLUS REVENUE	1712	2188	2698	3243	0	0	0	0	0
COST PER ENPLANED PASSENGER	3.67	3.62	3.56	3.51	6.50	6.38	6.26	6.14	6.02

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 2A Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	4960	4872	4804	4752	0	0	0	0	0
Capitalized Interest - Net	0	0	0	23046	16022	9944	4647	0	0	0	0	0
Costs of Issuance	0	0	0	2054	1834	1644	1478	0	0	0	0	0
NEW BONDS-Sr	0	0	0	68460	61128	54792	49277	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	68460	129588	184380	233657	233657	233657	233657	233657	233657
DEBT SERVICE--NEW BONDS-Sr	0	0	0	7262	6485	5812	5227	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	7262	13747	19559	24786	24786	24786	24786	24786	24786

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	32091	28654	25684	23099	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	32091	60744	86428	109527	109527	109527	109527	109527	109527
NEW BONDS-SR - DULLES	0	0	0	36370	32474	29108	26179	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	36370	68844	97952	124130	124130	124130	124130	124130	124130
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	3040	2724	2450	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	6444	9168	11619	11619	11619	11619	11619	11619
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	3445	3088	2777	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	7303	10391	13168	13168	13168	13168	13168	13168

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 2B Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30		1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS										
REVENUE REQUIRED FOR OPERATING EXPENSES:										
Operating Expenses for Existing Facilities		37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie		0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp	1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:										
Senior D.S. (New Capital Projects)		0	0	0	0	20145	20145	20145	20145	20145
Junior D.S.(Ann. Rnwl. and Replcmnt.)		0	0	0	0	0	0	0	0	0
Third Lien D.S.or Lease Pymnts. (Paid to FAA)		0	0	0	0	0	0	0	0	0
Total Debt Service		0	0	0	0	20145	20145	20145	20145	20145
Coverage Ratio		1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt		0	0	0	0	25181	25181	25181	25181	25181
Less D.S. Rsv. Fund Earnings:										
Senior		0	0	0	0	0	0	0	0	0
Junior		0	0	0	0	0	0	0	0	0
Third Lien		0	0	0	0	0	0	0	0	0
Total Earnings		0	0	0	0	0	0	0	0	0
Net Revenue Required For Debt Service		0	0	0	0	25181	25181	25181	25181	25181
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)										
Annual Cash Required		0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage		0	0	0	0	5036	5036	5036	5036	5036
Net Revenue Required For Cash Payment		0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED		37236	37236	37236	37236	66917	66917	66917	66917	66917
REVENUE SOURCES										
CONCESSION REVENUE:										
Passengers - National		16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles		4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers		20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)		1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue		32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:										
Square Feet - National		291	291	291	291	291	291	291	291	291
Square Feet - Dulles		153	153	153	153	333	333	333	333	333
Total Square Feet		444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.		0.00	0.00	0.00	0.00	18.74	18.28	17.78	17.24	16.67
Total Rental Fees		0	0	0	0	11696	11404	11092	10758	10401
LANDING FEES:										
Projected Lbs. (millions)		18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees		0.00	0.00	0.00	0.00	0.60	0.55	0.51	0.47	0.44
Total Landing Fees		0	0	0	0	13349	13016	12660	12279	11871
OTHER FEES:		6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED		38948	39424	39934	40479	66917	66917	66917	66917	66917
SURPLUS REVENUE		1712	2188	2698	3243	0	0	0	0	0
COST PER ENPLANED PASSENGER		3.67	3.62	3.56	3.51	6.19	6.08	5.97	5.85	5.73

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 2B Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	10155	12796	8037	3795	0	0	0	0	0
Costs of Issuance	0	0	0	1749	1583	1436	1305	0	0	0	0	0
NEW BONDS-Sr	0	0	0	58305	52780	47873	43500	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	58305	111084	158958	202457	202457	202457	202457	202457	202457
DEBT SERVICE--NEW BONDS-Sr	0	0	0	5801	5252	4763	4328	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	5801	11053	15817	20145	20145	20145	20145	20145	20145
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	27330	24741	22441	20390	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	27330	52071	74511	94902	94902	94902	94902	94902	94902
NEW BONDS-SR - DULLES	0	0	0	30974	28039	25433	23109	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	30974	59014	84446	107555	107555	107555	107555	107555	107555
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	2719	2462	2233	2029	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	2719	5181	7414	9443	9443	9443	9443	9443	9443
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3082	2790	2531	2299	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3082	5872	8403	10702	10702	10702	10702	10702	10702

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 2C Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	32131	32131	32131	32131	32131
Junior D.S.(Ann. Pnwl. and Replcant.)	0	0	0	0	0	0	0	0	0
Third Lien D.S.or Lease Pvmnts. (Paid to FAA)	0	0	0	0	0	0	0	0	0
Total Debt Service	0	0	0	0	32131	32131	32131	32131	32131
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	0	0	0	40164	40164	40164	40164	40164
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	3213	3213	3213	3213	3213
Junior	0	0	0	0	0	0	0	0	0
Third Lien	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	3213	3213	3213	3213	3213
Net Revenue Required for Debt Service	0	0	0	0	36951	36951	36951	36951	36951
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage	0	0	0	0	8033	8033	8033	8033	8033
Net Revenue Required for Cash Payment	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED	37236	37236	37236	37236	78687	78687	78687	78687	78687
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	0.00	0.00	0.00	0.00	27.55	27.08	26.58	26.05	25.48
Total Rental Fees	0	0	0	0	17192	16901	16589	16255	15898
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.00	0.00	0.00	0.00	0.88	0.82	0.77	0.72	0.67
Total Landing Fees	0	0	0	0	19622	19289	18933	18552	18144
OTHER FEES:	6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED	38948	39424	39934	40479	78687	78687	78687	78687	78687
SURPLUS REVENUE	1712	2188	2698	3243	0	0	0	0	0
COST PER ENPLANED PASSENGER	3.67	3.62	3.56	3.51	7.28	7.15	7.02	6.88	6.74

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL -- SUMMARY REPORT -- SENIOR BONDS -- CASE IC Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	6766	6371	[illegible]	5825	0	0	0	0	0
Capitalized Interest - Net	0	0	0	32234	21483	[illegible]	5841	0	0	0	0	0
Costs of Issuance	0	0	0	2394	2049	1773	1549	0	0	0	0	0
NEW BONDS-Sr	0	0	0	79793	68303	59113	51615	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	79793	148096	207209	258823	258823	258823	258823	258823	258823
DEBT SERVICE--NEW BONDS-Sr	0	0	0	9906	8479	7339	6408	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	9906	18385	25724	32131	32131	32131	32131	32131	32131

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	37403	32017	27709	24194	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	37403	69420	97129	121323	121323	121323	121323	121323	121323
NEW BONDS-SR - DULLES	0	0	0	42390	36286	31404	27420	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	42390	78676	110080	137500	137500	137500	137500	137500	137500
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	4643	3975	3440	3004	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	4643	8618	12058	15062	15062	15062	15062	15062	15062
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	5262	4505	3899	3404	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	5262	9767	13666	17070	17070	17070	17070	17070	17070

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 3A Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30		1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS										
REVENUE REQUIRED FOR OPERATING EXPENSES:										
Operating Expenses for Existing Facilities		37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie		0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp	1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:										
Senior D.S. (New Capital Projects)		0	0	0	0	24786	24786	24786	24786	24786
Junior D.S.(Ann. Rnwl. and Replcmt.)		2482	4964	7447	9929	12411	14893	17376	19858	22340
Third Lien D.S.or Lease Pymnts. (Paid to FAA)		0	0	0	0	0	0	0	0	0
Total Debt Service		2482	4964	7447	9929	37197	39680	42162	44644	47126
Coverage Ratio		1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt		3103	6206	9308	12411	46497	49600	52702	55805	58908
Less D.S. Res. Fund Earnings:										
Senior		0	0	0	0	2479	2479	2479	2479	2479
Junior		248	496	745	993	1241	1489	1738	1986	2234
Third Lien		0	0	0	0	0	0	0	0	0
Total Earnings		248	496	745	993	3720	3968	4216	4464	4713
Net Revenue Required for Debt Service		2855	5709	8564	11418	42777	45632	48486	51341	54195
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)										
Annual Cash Required		0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage		621	1241	1862	2482	9299	9920	10540	11161	11782
Net Revenue Required for Cash Payment		0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED		40091	42945	45800	48654	84513	87368	90222	93077	95931
REVENUE SOURCES										
CONCESSION REVENUE:										
Passengers - National		16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles		4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers		20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)		1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue		32245	32722	33231	33777	34360	34985	35652	36368	37133
RENTAL FEES:										
Square Feet - National		291	291	291	291	291	291	291	291	291
Square Feet - Dulles		153	153	153	153	333	333	333	333	333
Total Square Feet		444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.		1.20	3.70	6.17	8.60	31.91	33.58	35.22	36.82	38.38
Total Rental Fees		534	1644	2739	3818	19913	20955	21976	22975	23951
LANDING FEES:										
Projected Lbs. (millions)		18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees		0.03	0.10	0.15	0.20	1.02	1.02	1.02	1.01	1.01
Total Landing Fees		609	1877	3127	4257	22727	23916	25081	26222	27336
OTHER FEES:		6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED		40091	42945	45800	48654	84513	87368	90222	93077	95931
SURPLUS REVENUE		0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER		3.95	4.17	4.38	4.58	7.82	7.94	8.05	8.14	8.22

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 3A Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	4960	4872	4864	4752	0	0	0	0	0
Capitalized Interest - Net	0	0	0	23046	16022	9946	4647	0	0	0	0	0
Costs of Issuance	0	0	0	2054	1834	1644	1478	0	0	0	0	0
NEW BONDS-Sr	0	0	0	68460	61128	54792	49278	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	68460	129588	184380	233657	233657	233657	233657	233657	233657
DEBT SERVICE--NEW BONDS-Sr	0	0	0	7262	6484	5812	5227	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	7262	13747	19559	24786	24786	24786	24786	24786	24786

INC AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	32091	28654	25684	23099	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	32091	60744	86428	109527	109527	109527	109527	109527	109527
NEW BONDS-SR - DULLES	0	0	0	36370	32474	29108	26179	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	36370	68844	97952	124130	124130	124130	124130	124130	124130
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	3040	2724	2450	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	6444	9168	11619	11619	11619	11619	11619	11619
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	3445	3088	2777	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	7303	10391	13168	13168	13168	13168	13168	13168

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- JUNIOR BONDS -- CASE 3A Page 3

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Average Interest Rate	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	10	10	10	10	10	10	10	10	10	10	10	10
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Debt Service Reserve Fund - Net	0	0	0	2482	2482	2482	2482	2482	2482	2482	2482	2482
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	448	448	448	448	448	448	448	448	448
NEW BONDS-Jr	0	0	0	14930	14930	14930	14930	14930	14930	14930	14930	14930
TOTAL BONDS-Jr	0	0	0	14930	29860	44790	59721	74651	89581	104511	119441	134371
DEBT SERVICE--NEW BONDS-Jr	0	0	0	2482	2482	2482	2482	2482	2482	2482	2482	2482
AGGREGATE DEBT SERVICE-Jr	0	0	0	2482	4964	7447	9929	12411	14893	17376	19858	22340
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
Capital Costs - Dulles	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
NEW BONDS-JR - NATIONAL	0	0	0	7465	7465	7465	7465	7465	7465	7465	7465	7465
TOTAL BONDS-JR - NATIONAL	0	0	0	7465	14930	22395	29860	37325	44790	52256	59721	67186
NEW BONDS-JR - DULLES	0	0	0	7465	7465	7465	7465	7465	7465	7465	7465	7465
TOTAL BONDS-JR - DULLES	0	0	0	7465	14930	22395	29860	37325	44790	52256	59721	67186
DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	1241	1241	1241	1241	1241	1241	1241	1241	1241
AGGREGATE DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	1241	2462	3723	4964	6206	7447	8688	9929	11170
DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	1241	1241	1241	1241	1241	1241	1241	1241	1241
AGGRE. DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	0	2482	3723	4964	6206	7447	8688	9929	11170

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 3B Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	20145	20145	20145	20145	20145
Junior D.S.(Ann. Renl. and Replcmnt.)	1949	3898	5847	7796	9745	11694	13643	15591	17540
Third Lien D.S.or Lease Pymnts. (Paid to FAA)	0	0	0	0	0	0	0	0	0
Total Debt Service	1949	3898	5847	7796	29889	31838	33787	35736	37685
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	2436	4872	7309	9745	37362	39798	42234	44670	47106
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	0	0	0	0	0
Junior	0	0	0	0	0	0	0	0	0
Third Lien	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	0	0	0	0	0
Net Revenue Required for Debt Service	2436	4872	7309	9745	37362	39798	42234	44670	47106
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage	487	974	1462	1949	7472	7960	8447	8934	9421
Net Revenue Required for Cash Payment	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED	39672	42108	44545	46981	79098	81534	83970	86406	88842
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	0.76	2.82	4.85	6.84	27.86	29.22	30.54	31.83	33.08
Total Rental Fees	338	1254	2153	3036	17384	18230	19056	19860	20640
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.02	0.07	0.12	0.16	0.89	0.89	0.88	0.88	0.87
Total Landing Fees	386	1431	2458	3465	19841	20807	21749	22666	23557
OTHER FEES:	6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED	39672	42108	44545	46981	79098	81534	83970	86406	88842
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	3.91	4.09	4.26	4.42	7.32	7.41	7.49	7.56	7.61

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 3B Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	18155	12796	8037	3795	0	0	0	0	0
Costs of Issuance	0	0	0	1749	1583	1436	1305	0	0	0	0	0
NEW BONDS-Sr	0	0	0	58305	52780	47873	43500	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	58305	111084	158957	202457	202457	202457	202457	202457	202457
DEBT SERVICE—NEW BONDS-Sr	0	0	0	5801	5252	4763	4328	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	5801	11053	15817	20145	20145	20145	20145	20145	20145

BOND PMT DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	27330	24741	22441	20390	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	27330	52071	74511	94902	94902	94902	94902	94902	94902
NEW BONDS-SR - DULLES	0	0	0	30974	28039	25433	23109	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	30974	59014	84446	107555	107555	107555	107555	107555	107555
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	2719	2462	2233	2029	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	2719	5181	7414	9443	9443	9443	9443	9443	9443
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3082	2790	2531	2299	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3082	5872	8403	10702	10702	10702	10702	10702	10702

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- JUNIOR BONDS -- CASE 3B Page 3

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	10	10	10	10	10	10	10	10	10	10	10	10
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	371	371	371	371	371	371	371	371	371
NEW BONDS-Jr	0	0	0	12371	12371	12371	12371	12371	12371	12371	12371	12371
TOTAL BONDS-Jr	0	0	0	12371	24742	37113	49485	61856	74227	86598	98969	111340
DEBT SERVICE—NEW BONDS-Jr	0	0	0	1949	1949	1949	1949	1949	1949	1949	1949	1949
AGGREGATE DEBT SERVICE-Jr	0	0	0	1949	3898	5847	7796	9745	11694	13643	15591	17540
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
Capital Costs - Dulles	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
NEW BONDS-JR - NATIONAL	0	0	0	6186	6186	6186	6186	6186	6186	6186	6186	6186
TOTAL BONDS-JR - NATIONAL	0	0	0	6186	12371	18557	24742	30928	37113	43299	49485	55670
NEW BONDS-JR - DULLES	0	0	0	6186	6186	6186	6186	6186	6186	6186	6186	6186
TOTAL BONDS-JR - DULLES	0	0	0	6186	12371	18557	24742	30928	37113	43299	49485	55670
DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	974	974	974	974	974	974	974	974	974
AGGREGATE DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	974	1949	2923	3898	4872	5847	6821	7796	8770
DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	974	974	974	974	974	974	974	974	974
AGGRE. DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	0	1949	2923	3898	4872	5847	6821	7796	8770

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 3C Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	24786	24786	24786	24786	24786
Junior D.S.(Ann. Rnwl. and Replcmnt.)	0	0	0	0	0	0	0	0	0
Third Lien D.S.or Lease Pymnts. (Paid to FAA)	0	0	0	0	0	0	0	0	0
Total Debt Service	0	0	0	0	24786	24786	24786	24786	24786
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	0	0	0	30983	30983	30983	30983	30983
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	2479	2479	2479	2479	2479
Junior	0	0	0	0	0	0	0	0	0
Third Lien	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	2479	2479	2479	2479	2479
Net Revenue Required for Debt Service	0	0	0	0	28504	28504	28504	28504	28504
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	6197	6197	6197	6197	6197
Net Revenue Required for Cash Payment	12000	12000	12000	12000	5803	5803	5803	5803	5803
TOTAL REVENUE REQUIRED	49236	49236	49236	49236	76044	76044	76044	76044	76044
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	10.82	10.32	9.78	9.21	25.57	25.11	24.61	24.07	23.50
Total Rental Fees	4805	4582	4344	4089	15958	15666	15356	15020	14663
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25991	27185
Implied Landing Fees	0.30	0.27	0.24	0.22	0.81	0.76	0.71	0.66	0.62
Total Landing Fees	5484	5230	4958	4667	18213	17880	17524	17143	16735
OTHER FEES:	6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED	49236	49236	49236	49236	76044	76044	76044	76044	76044
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.86	4.78	4.71	4.64	7.04	6.91	6.78	6.65	6.51

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 3C Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	4960	4872	4804	4752	0	0	0	0	0
Capitalized Interest - Net	0	0	0	23046	16022	9944	4647	0	0	0	0	0
Costs of Issuance	0	0	0	2054	1834	1644	1478	0	0	0	0	0
NEW BONDS-Sr	0	0	0	68460	61128	54792	49277	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	68460	129588	184380	233657	233657	233657	233657	233657	23365
DEBT SERVICE--NEW BONDS-Sr	0	0	0	7262	6484	5812	5227	0	0	0	0	
AGGREGATE DEBT SERVICE-Sr	0	0	0	7262	13747	19559	24786	24786	24786	24786	24786	2478

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.0
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.0
NEW BONDS-SR - NATIONAL	0	0	0	32091	28654	25684	23099	0	0	0	0	
TOTAL BONDS-SR - NATIONAL	0	0	0	32091	60745	86429	109527	109527	109527	109527	109527	10952
NEW BONDS-SR - DULLES	0	0	0	36370	32474	29108	26179	0	0	0	0	
TOTAL BONDS-SR - DULLES	0	0	0	36370	68844	97952	124130	124130	124130	124130	124130	12413
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	3040	2724	2450	0	0	0	0	
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	6444	9168	11619	11619	11619	11619	11619	1161
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	3445	3088	2777	0	0	0	0	
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	7303	10391	13168	13168	13168	13168	13168	1316

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 4A Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	24786	24786	24786	24786	24786
Junior D.S.(Ann. Rnwl. and Replcmnt.)	2482	4964	7447	9929	12411	14893	17376	19858	22340
Third Lien D.S.or Lease Pymts. (Paid to FAA)	41932	41932	41932	41932	41932	41932	41932	41932	41932
Total Debt Service	44414	46896	49379	51861	79129	81612	84094	86576	89058
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	45035	48138	51240	54343	88429	91532	94634	97737	100840
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	2479	2479	2479	2479	2479
Junior	248	496	745	993	1241	1489	1738	1986	2234
Third Lien	4193	4193	4193	4193	4193	4193	4193	4193	4193
Total Earnings	4441	4690	4938	5186	7913	8161	8409	8658	8906
Net Revenue Required for Debt Service	40593	43448	46303	49157	80516	83370	86225	89080	91934
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage	621	1241	1862	2482	9299	9920	10540	11161	11782
Net Revenue Required for Cash Payment	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED	77829	80684	83539	86393	122252	125106	127961	130816	133670
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	40.90	43.40	45.86	48.29	60.16	61.82	63.46	65.06	66.63
Total Rental Fees	18158	19268	20363	21442	37537	38579	39600	40599	41575
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	1.13	1.14	1.15	1.15	1.92	1.87	1.83	1.79	1.75
Total Landing Fees	20724	21992	23241	24472	42842	44031	45196	46337	47450
OTHER FEES:	6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED	77829	80684	83539	86393	122252	125106	127961	130816	133670
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	7.68	7.84	7.99	8.13	11.31	11.37	11.41	11.44	11.45

METROPOLITAN WASHINGTON AIRPORTS — ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL — SUMMARY REPORT — SENIOR BONDS — CASE 4A Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	199
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	[illegible]
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.10
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	[illegible]
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	3
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.08
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.10
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	[illegible]
Debt Service Reserve Fund - Net	0	0	0	4960	4872	4804	4752	0	0	0	0	[illegible]
Capitalized Interest - Net	0	0	0	23046	16022	9944	4647	0	0	0	0	[illegible]
Costs of Issuance	0	0	0	2054	1834	1644	1478	0	0	0	0	[illegible]
NEW BONDS-Sr	0	0	0	68460	61128	54792	49278	0	0	0	0	[illegible]
TOTAL BONDS-Sr	0	0	0	68460	129588	184380	233657	233657	233657	233657	233657	233
DEBT SERVICE—NEW BONDS-Sr	0	0	0	7262	6484	5812	5227	0	0	0	0	[illegible]
AGGREGATE DEBT SERVICE-Sr	0	0	0	7262	13747	19559	24786	24786	24786	24786	24786	247

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	199
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	[illegible]
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	[illegible]
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.
NEW BONDS-SR - NATIONAL	0	0	0	32091	28654	25684	23099	0	0	0	0	[illegible]
TOTAL BONDS-SR - NATIONAL	0	0	0	32091	60744	86428	109527	109527	109527	109527	109527	1095
NEW BONDS-SR - DULLES	0	0	0	36370	32474	29108	26179	0	0	0	0	[illegible]
TOTAL BONDS-SR - DULLES	0	0	0	36370	68844	97952	124130	124130	124130	124130	124130	1241
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	3040	2724	2450	0	0	0	0	[illegible]
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	6444	9168	11619	11619	11619	11619	11619	1161
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	3445	3088	2777	0	0	0	0	[illegible]
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	7303	10391	13168	13168	13168	13168	13168	131

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- JUNIOR BONDS -- CASE 4A Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Average Interest Rate	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	10	10	10	10	10	10	10	10	10	10	10	10
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Debt Service Reserve Fund - Net	0	0	0	2482	2482	2482	2482	2482	2482	2482	2482	2482
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	448	448	448	448	448	448	448	448	448
NEW BONDS-Jr	0	0	0	14930	14930	14930	14930	14930	14930	14930	14930	14930
TOTAL BONDS-Jr	0	0	0	14930	29860	44790	59721	74651	89581	104511	119441	134371
DEBT SERVICE--NEW BONDS-Jr	0	0	0	2482	2482	2482	2482	2482	2482	2482	2482	2482
AGGREGATE DEBT SERVICE-Jr	0	0	0	2482	4964	7447	9929	12411	14893	17376	19858	22340
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
Capital Costs - Dulles	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
NEW BONDS-JR - NATIONAL	0	0	0	7465	7465	7465	7465	7465	7465	7465	7465	7465
TOTAL BONDS-JR - NATIONAL	0	0	0	7465	14930	22395	29860	37325	44790	52256	59721	67186
NEW BONDS-JR - DULLES	0	0	0	7465	7465	7465	7465	7465	7465	7465	7465	7465
TOTAL BONDS-JR - DULLES	0	0	0	7465	14930	22395	29860	37325	44790	52256	59721	67186
DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	1241	1241	1241	1241	1241	1241	1241	1241	1241
AGGREGATE DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	1241	2482	3723	4964	6206	7447	8688	9929	11170
DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	1241	1241	1241	1241	1241	1241	1241	1241	1241
AGGRE. DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	0	2482	3723	4964	6206	7447	8689	9929	11170

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 40 Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	20145	20145	20145	20145	20145
Junior D.S.(Ann. Rnwl. and Replcmnt.)	1949	3898	5847	7796	9745	11694	13643	15591	17540
Third Lien D.S.or Lease Pymts. (Paid to FAA)	35031	35031	35031	35031	35031	35031	35031	35031	35031
Total Debt Service	36980	38929	40878	42827	64920	66869	68818	70767	72716
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	37467	39903	42340	44776	72393	74829	77265	79701	82137
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	0	0	0	0	0
Junior	0	0	0	0	0	0	0	0	0
Third Lien	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	0	0	0	0	0
Net Revenue Required for Debt Service	37467	39903	42340	44776	72393	74829	77265	79701	82137
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage	487	974	1462	1949	7472	7960	8447	8934	9421
Net Revenue Required for Cash Payment	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED	74703	77139	79576	82012	114129	116565	119001	121437	123873
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	37.61	39.67	41.70	43.68	54.08	55.43	56.76	58.04	59.29
Total Rental Fees	16698	17613	18513	19396	33744	34590	35415	36219	37000
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	1.04	1.04	1.04	1.04	1.72	1.68	1.64	1.60	1.55
Total Landing Fees	19058	20102	21129	22137	38513	39478	40421	41338	42229
OTHER FEES:	6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED	74703	77139	79576	82012	114129	116565	119001	121437	123873
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	7.37	7.50	7.61	7.72	10.36	10.60	10.61	10.62	10.61

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 40 Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	48000	48000	48000	48000	0	0	0	0	0
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	18135	12796	8037	3795	0	0	0	0	0
Costs of Issuance	0	0	0	1749	1583	1436	1305	0	0	0	0	0
NEW BONDS-Sr	0	0	0	58305	52780	47873	43500	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	58305	111084	158958	202457	202457	202457	202457	202457	202457
DEBT SERVICE--NEW BONDS-Sr	0	0	0	5801	5252	4763	4328	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	5801	11053	15817	20145	20145	20145	20145	20145	20145
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	27330	24741	22441	20390	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	27330	52071	74511	94902	94902	94902	94902	94902	94902
NEW BONDS-SR - DULLES	0	0	0	30974	28039	25[illegible]	23109	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	30974	59014	84446	107555	107555	107555	107555	107555	107555
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	2719	2462	2233	2029	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	2719	5181	7414	9443	9443	9443	9443	9443	9443
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3082	2790	2531	2299	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3082	5872	8403	10702	10702	10702	10702	10702	10702

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- JUNIOR BONDS --CASE 40 Page 3

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	10	10	10	10	10	10	10	10	10	10	10	10
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	371	371	371	371	371	371	371	371	371
NEW BONDS-Jr	0	0	0	12371	12371	12371	12371	12371	12371	12371	12371	12371
TOTAL BONDS-Jr	0	0	0	12371	24742	37113	49485	61856	74227	86598	98969	111340
DEBT SERVICE--NEW BONDS-Jr	0	0	0	1949	1949	1949	1949	1949	1949	1949	1949	1949
AGGREGATE DEBT SERVICE-Jr	0	0	0	1949	3898	5847	7796	9745	11694	13643	15591	17540
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
Capital Costs - Dulles	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
NEW BONDS-JR - NATIONAL	0	0	0	6186	6186	6186	6186	6186	6186	6186	6186	6186
TOTAL BONDS-JR - NATIONAL	0	0	0	6186	12371	18557	24742	30928	37113	43299	49485	55670
NEW BONDS-JR - DULLES	0	0	0	6186	6186	6186	6186	6186	6186	6186	6186	6186
TOTAL BONDS-JR - DULLES	0	0	0	6186	12371	18557	24742	30928	37113	43299	49485	55670
DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	974	974	974	974	974	974	974	974	974
AGGREGATE DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	974	1949	2923	3898	4872	5847	6821	7796	8770
DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	974	974	974	974	974	974	974	974	974
AGGRE. DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	0	1949	2923	3898	4872	5847	6821	7796	8770

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 4C Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30		1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS										
REVENUE REQUIRED FOR OPERATING EXPENSES:										
Operating Expenses for Existing Facilities		37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie		0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp	1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:										
Senior D.S. (New Capital Projects)		0	0	0	0	24786	24786	24786	24786	24786
Junior D.S.(Ann. Renl. and Replcmnt.)		2482	4964	7447	9929	12411	14893	17376	19858	22340
Third Lien D.S.or Lease Pymnts. (Paid to FAA)		11051	11051	11051	11051	11051	11051	11051	11051	11051
Total Debt Service		13533	16015	18498	20980	48248	50731	53213	55695	58177
Coverage Ratio		1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt		14154	17257	20359	23462	57548	60651	63753	66856	69959
Less D.S. Res. Fund Earnings:										
Senior		0	0	0	0	2479	2479	2479	2479	2479
Junior		248	496	745	993	1241	1489	1738	1986	2234
Third Lien		1105	1105	1105	1105	1105	1105	1105	1105	1105
Total Earnings		1353	1602	1850	2098	4825	5073	5321	5570	5818
Net Revenue Required for Debt Service		12800	15655	18510	21364	52723	55577	58432	61287	64141
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)										
Annual Cash Required		0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage		621	1241	1862	2482	9299	9920	10540	11161	11782
Net Revenue Required for Cash Payment		0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED		50036	52891	55746	58600	94459	97313	100168	103023	105877
REVENUE SOURCES										
CONCESSION REVENUE:										
Passengers - National		16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles		4200	4500	4900	5243	5610	6003	6423	6873	7354
Total Passengers		20200	20500	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)		1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue		32245	32722	33231	33777	34360	34985	35653	36366	37133
RENTAL FEES:										
Square Feet - National		291	291	291	291	291	291	291	291	291
Square Feet - Dulles		153	153	153	153	333	333	333	333	333
Total Square Feet		444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.		11.66	14.16	16.63	19.06	39.36	41.02	42.66	44.26	45.83
Total Rental Fees		5178	6289	7384	8463	24558	25599	26620	27620	28595
LANDING FEES:										
Projected Lbs. (millions)		18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees		0.32	0.37	0.42	0.45	1.25	1.24	1.23	1.22	1.20
Total Landing Fees		5910	7170	8420	9659	28020	29217	30383	31523	32637
OTHER FEES:		6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED		50036	52891	55746	58600	94459	97313	100168	103023	105877
SURPLUS REVENUE		0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER		4.95	5.14	5.33	5.52	8.74	8.85	8.93	9.01	9.07

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 4C Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	4960	4872	4804	4752	0	0	0	0	0
Capitalized Interest - Net	0	0	0	23046	16022	9944	4647	0	0	0	0	0
Costs of Issuance	0	0	0	2054	1834	1644	1478	0	0	0	0	0
NEW BONDS-Sr	0	0	0	68460	61128	54792	49278	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	68460	129588	184380	233657	233657	233657	233657	233657	233657
DEBT SERVICE--NEW BONDS-Sr	0	0	0	7262	6485	5812	5227	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	7262	13747	19559	24786	24786	24786	24786	24786	24786

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	32091	28654	25684	23099	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	32091	60744	86428	109527	109527	109527	109527	109527	109527
NEW BONDS-SR - DULLES	0	0	0	36370	32474	29108	26179	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	36370	68844	97952	124130	124130	124130	124130	124130	124130
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	3040	2724	2450	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	6444	9168	11619	11619	11619	11619	11619	11619
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	3445	3088	2777	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	7303	10391	13168	13168	13168	13168	13168	13168

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- JUNIOR BONDS -- CASE 4C Page 3

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Average Interest Rate	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	10	10	10	10	10	10	10	10	10	10	10	10
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Debt Service Reserve Fund - Net	0	0	0	2482	2482	2482	2482	2482	2482	2482	2482	2482
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	448	448	448	448	448	448	448	448	448
NEW BONDS-Jr	0	0	0	14930	14930	14930	14930	14930	14930	14930	14930	14930
TOTAL BONDS-Jr	0	0	0	14930	29860	44790	59721	74651	89581	104511	119441	134371
DEBT SERVICE--NEW BONDS-Jr	0	0	0	2482	2482	2482	2482	2482	2482	2482	2482	2482
AGGREGATE DEBT SERVICE-Jr	0	0	0	2482	4964	7447	9929	12411	14893	17376	19858	22340
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
Capital Costs - Dulles	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
NEW BONDS-JR - NATIONAL	0	0	0	7465	7465	7465	7465	7465	7465	7465	7465	7465
TOTAL BONDS-JR - NATIONAL	0	0	0	7465	14930	22395	29860	37325	44790	52256	59721	67186
NEW BONDS-JR - DULLES	0	0	0	7465	7465	7465	7465	7465	7465	7465	7465	7465
TOTAL BONDS-JR - DULLES	0	0	0	7465	14930	22395	29860	37325	44790	52256	59721	67186
DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	1241	1241	1241	1241	1241	1241	1241	1241	1241
AGGREGATE DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	1241	2482	3723	4964	6206	7447	8688	9929	11170
DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	1241	1241	1241	1241	1241	1241	1241	1241	1241
AGGRE. DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	0	2482	3723	4964	6206	7447	8688	9929	11170

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 40 Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	20145	20145	20145	20145	20145
Junior D.S.(Ann. Rnwl. and Replcmnt.)	1949	3898	5847	7796	9745	11694	13643	15591	17540
Third Lien D.S.or Lease Pymnts. (Paid to FAA)	9232	9232	9232	9232	9232	9232	9232	9232	9232
Total Debt Service	11181	13130	15079	17028	39121	41070	43019	44968	46917
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	11668	14104	16541	18977	46594	49030	51466	53902	56338
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	0	0	0	0	0
Junior	0	0	0	0	0	0	0	0	0
Third Lien	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	0	0	0	0	0
Net Revenue Required for Debt Service	11668	14104	16541	18977	46594	49030	51466	53902	56338
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage	487	974	1462	1949	7472	7960	8447	8934	9421
Net Revenue Required for Cash Payment	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED	48904	51340	53777	56213	88330	90766	93202	95638	98074
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4200	4500	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20200	20500	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	10.47	12.53	14.56	16.55	34.77	36.12	37.45	38.74	39.99
Total Rental Fees	4650	5565	6465	7348	21695	22542	23367	24171	24952
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.29	0.33	0.36	0.39	1.11	1.10	1.08	1.07	1.05
Total Landing Fees	5307	6351	7378	8386	24762	25727	26670	27587	28478
OTHER FEES:	6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED	48904	51340	53777	56213	88330	90766	93202	95638	98074
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.82	4.99	5.15	5.29	8.17	8.25	8.31	8.36	8.40

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 4B Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	18155	12796	8037	3795	0	0	0	0	0
Costs of Issuance	0	0	0	1749	1583	1436	1305	0	0	0	0	0
NEW BONDS-Sr	0	0	0	58305	52780	47873	43500	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	58305	111084	158958	202457	202457	202457	202457	202457	202457
DEBT SERVICE--NEW BONDS-Sr	0	0	0	5801	5252	4763	4329	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	5801	11053	15817	20145	20145	20145	20145	20145	20145

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	27330	24741	22441	20390	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	27330	52071	74511	94902	94902	94902	94902	94902	94902
NEW BONDS-SR - DULLES	0	0	0	30974	28039	25433	23109	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	30974	59014	84446	107555	107555	107555	107555	107555	107555
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	2719	2462	2233	2029	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	2719	5181	7414	9443	9443	9443	9443	9443	9443
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3082	2790	2531	2299	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3082	5872	8403	10702	10702	10702	10702	10702	10702

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- JUNIOR BONDS -- CASE 40 Page 3

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	19
Construction Costs - Current Year	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	120
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.09
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(
Bond Issue Amortizations	10	10	10	10	10	10	10	10	10	10	10	
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.10
Construction Costs - Net	0	0	0	12000	12000	12000	12000	12000	12000	12000	12000	12000
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	371	371	371	371	371	371	371	371	371
NEW BONDS-Jr	0	0	0	12371	12371	12371	12371	12371	12371	12371	12371	12371
TOTAL BONDS-Jr	0	0	0	12371	24742	37113	49485	61856	74227	86598	98969	111340
DEBT SERVICE--NEW BONDS-Jr	0	0	0	1949	1949	1949	1949	1949	1949	1949	1949	1949
AGGREGATE DEBT SERVICE-Jr	0	0	0	1949	3898	5847	7796	9745	11694	13643	15591	17540
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
Capital Costs - Dulles	0	0	0	6000	6000	6000	6000	6000	6000	6000	6000	6000
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
NEW BONDS-JR - NATIONAL	0	0	0	6186	6186	6186	6186	6186	6186	6186	6186	6186
TOTAL BONDS-JR - NATIONAL	0	0	0	6186	12371	18557	24742	30928	37113	43299	49485	55670
NEW BONDS-JR - DULLES	0	0	0	6136	6186	6186	6186	6186	6186	6186	6186	6186
TOTAL BONDS-JR - DULLES	0	0	0	6186	12371	18557	24742	30928	37113	43299	49485	55670
DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	974	974	974	974	974	974	974	974	974
AGGREGATE DEBT SERVICE--NEW BONDS-JR - NATIONAL	0	0	0	974	1949	2923	3898	4872	5847	6821	7796	8770
DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	974	974	974	974	974	974	974	974	974
AGGRE. DEBT SERVICE--NEW BONDS-JR - DULLES	0	0	0	0	1949	2923	3898	4672	5847	6821	7796	8770

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 4E Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	24786	24786	24786	24786	24786
Junior D.S.(Ann. Rnwl. and Replcmnt.)	0	0	0	0	0	0	0	0	0
Senior Lien D.S.or Lease Pymnts. (Paid to FAA)	11051	11051	11051	11051	11051	11051	11051	11051	11051
Total Debt Service	11051	11051	11051	11051	35837	35837	35837	35837	35837
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	11051	11051	11051	11051	42034	42034	42034	42034	42034
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	2479	2479	2479	2479	2479
Junior	0	0	0	0	0	0	0	0	0
Senior Lien for Purchase	1105	1105	1105	1105	1105	1105	1105	1105	1105
Total Earnings	1105	1105	1105	1105	3584	3584	3584	3584	3584
Net Revenue Required for Debt Service	9946	9946	9946	9946	38450	38450	38450	38450	38450
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	6197	6197	6197	6197	6197
Net Revenue Required for Cash Payment	12000	12000	12000	12000	5803	5803	5803	5803	5803
TOTAL REVENUE REQUIRED	59182	59182	59182	59182	85989	85989	85989	85989	85989
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4200	4500	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20200	20500	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	21.28	20.78	20.25	19.67	33.02	32.55	32.05	31.51	30.94
Total Rental Fees	9449	9227	8989	8734	20602	20311	19999	19665	19308
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.59	0.55	0.51	0.47	1.05	0.99	0.93	0.87	0.81
Total Landing Fees	10785	10531	10259	9969	23514	23181	22825	22444	22037
OTHER FEES:	6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED	59182	59182	59182	59182	85989	85989	85989	85989	85989
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	5.84	5.75	5.66	5.57	7.96	7.82	7.67	7.52	7.36

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 4E Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	4960	4872	4804	4752	0	0	0	0	0
Capitalized Interest - Net	0	0	0	23046	16022	9944	4647	0	0	0	0	0
Costs of Issuance	0	0	0	2054	1834	1644	1478	0	0	0	0	0
NEW BONDS-Sr	0	0	0	68460	61128	54792	49278	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	68460	129588	184380	233657	233657	233657	233657	233657	233657
DEBT SERVICE--NEW BONDS-Sr	0	0	0	7262	6484	5812	5227	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	7262	13747	19559	24786	24786	24786	24786	24786	24786

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	32091	28654	25684	23099	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	32091	60744	86428	109527	109527	109527	109527	109527	109527
NEW BONDS-SR - DULLES	0	0	0	36370	32474	29108	26179	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	36370	68844	97952	124130	124130	124130	124130	124130	124130
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	3040	2724	2450	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	6444	9168	11619	11619	11619	11619	11619	11619
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	3445	3088	2777	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	7303	10391	13168	13168	13168	13168	13168	13168

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 4E Page 3

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	90000	0	0	0	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0500	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	90000	0	0	0	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	11051	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	3125	0	0	0	0	0	0	0	0
NEW BONDS-Sr	0	0	0	104176	0	0	0	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	104176	104176	104176	104176	104176	104176	104176	104176	104176
DEBT SERVICE--NEW BONDS-Sr	0	0	0	11051	0	0	0	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	11051	11051	11051	11051	11051	11051	11051	11051	11051
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	1	0	0	0	0	0	0	0	0
Capital Costs - Dulles	0	0	0	1	0	0	0	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	52088	0	0	0	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	52088	52088	52088	52088	52088	52088	52088	52088	52088
NEW BONDS-SR - DULLES	0	0	0	52088	0	0	0	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	52088	52088	52088	52088	52088	52088	52088	52088	52088
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	5525	0	0	0	0	0	0	0	0
AGGREGATE DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	5525	5525	5525	5525	5525	5525	5525	5525	5525
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	5525	0	0	0	0	0	0	0	0
AGGRG. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	5525	5525	5525	5525	5525	5525	5525	5525	5525

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 4F Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	20145	20145	20145	20145	20145
Junior D.S. (Ann. Renl. and Replcmnt.)	0	0	0	0	0	0	0	0	0
Senior Lien D.S. or Lease Pymts. (Paid to FAA)	9232	9232	9232	9232	9232	9232	9232	9232	9232
Total Debt Service	9232	9232	9232	9232	29377	29377	29377	29377	29377
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	9232	9232	9232	9232	34413	34413	34413	34413	34413
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	0	0	0	0	0
Junior	0	0	0	0	0	0	0	0	0
Senior Lien for Purchase	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	0	0	0	0	0
Net Revenue Required for Debt Service	9232	9232	9232	9232	34413	34413	34413	34413	34413
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	5036	5036	5036	5036	5036
Net Revenue Required for Cash Payment	12000	12000	12000	12000	6964	6964	6964	6964	6964
TOTAL REVENUE REQUIRED	58468	58468	58468	58468	83113	83113	83113	83113	83113
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37123
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	20.53	20.03	19.49	18.92	30.86	30.40	29.90	29.36	28.79
Total Rental Fees	9116	8894	8656	8401	19259	18968	18656	18322	17964
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.57	0.53	0.49	0.45	0.98	0.92	0.86	0.81	0.75
Total Landing Fees	10404	10150	9879	9588	21981	21648	21292	20911	20503
OTHER FEES:	6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED	58468	58468	58468	58468	83113	83113	83113	83113	83113
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	5.77	5.68	5.59	5.50	7.69	7.55	7.41	7.27	7.12

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE #F Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	18155	12796	8037	3795	0	0	0	0	0
Costs of Issuance	0	0	0	1749	1583	1436	1305	0	0	0	0	0
NEW BONDS-Sr	0	0	0	58305	52780	47873	43500	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	58305	111085	158958	202457	202457	202457	202457	202457	202457
DEBT SERVICE--NEW BONDS-Sr	0	0	0	5801	5252	4763	4328	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	5801	11053	15817	20145	20145	20145	20145	20145	20145

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	27330	24741	22441	20390	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	27330	52071	74511	94902	94902	94902	94902	94902	94902
NEW BONDS-SR - DULLES	0	0	0	30974	28039	25433	23109	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	30974	59014	84446	107555	107555	107555	107555	107555	107555
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	2719	2462	2233	2029	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	2719	5181	7414	9443	9443	9443	9443	9443	9443
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3082	2790	2531	2299	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3082	5872	8403	10702	10702	10702	10702	10702	10702

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 4F Page 3

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	90000	0	0	0	0	0	0	0	0
Average Interest Rate	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Years of Capitalized Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	90000	0	0	0	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	0	0	0	0	0	0	0	0
Costs of Issuance	0	0	0	2784	0	0	0	0	0	0	0	0
NEW BONDS-Sr	0	0	0	92784	0	0	0	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	92784	92784	92784	92784	92784	92784	92784	92784	92784
DEBT SERVICE--NEW BONDS-Sr	0	0	0	9232	0	0	0	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	9232	9232	9232	9232	9232	9232	9232	9232	9232

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	1	0	0	0	0	0	0	0	0
Capital Costs - Dulles	0	0	0	1	0	0	0	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-JR - NATIONAL	0	0	0	46392	0	0	0	0	0	0	0	0
TOTAL BONDS-JR - NATIONAL	0	0	0	46392	46392	46392	46392	46392	46392	46392	46392	46392
NEW BONDS-JR - DULLES	0	0	0	46392	0	0	0	0	0	0	0	0
TOTAL BONDS-JR - DULLES	0	0	0	46392	46392	46392	46392	46392	46392	46392	46392	46392
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	4616	0	0	0	0	0	0	0	0
AGGREGATE DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	4616	4616	4616	4616	4616	4616	4616	4616	4616
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	4616	0	0	0	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	4616	4616	4616	4616	4616	4616	4616	4616	4616

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1005 METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY
1006
1007 ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 4B Page 1
1008
1009 NATIONAL AND DULLES AIRPORTS COMBINED
1010
1011
1012 FISCAL YEAR ENDING SEPTEMBER 30                       1986     1987     1988     1989     1990     1991     1992     1993     1994
1013                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1014 REVENUE REQUIREMENTS
1015 --------------------
1016 REVENUE REQUIRED FOR OPERATING EXPENSES:
1017   Operating Expenses for Existing Facilities         37236    37236    37236    37236    37236    37236    37236    37236    37236
1018   Additional Operating Expense for New Facilitie         0        0        0        0     4500     4500     4500     4500     4500
1019                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1020   Total Revenue Require^ for Op. Exp       1.00      37236    37236    37236    37236    41736    41736    41736    41736    41736
1021                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1022 REVENUE REQUIRED FOR DEBT SERVICE:
1023   Senior D.S. (New Capital Projects)                     0        0        0        0    24786    24786    24786    24786    24786
1024   Junior D.S.(Ann. Rnel. and Replcmnt.)                  0        0        0        0        0        0        0        0        0
1025   Junior Lien D.S.or Lease Pymnts. Paid to FAA        6698     6698     6698     6698     6698     6698     6698     6698     6698
1026                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1027   Total Debt Service                                  6698     6698     6698     6698    31485    31485    31485    31485    31485
1028   Coverage Ratio                                      1.25     1.25     1.25     1.25     1.25     1.25     1.25     1.25     1.25
1029   Gross Revenue Required To Cover Debt                6698     6698     6698     6698    37681    37681    37681    37681    37681
1030                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1031   Less D.S. Res. Fund Earnings:
1032     Senior                                               0      . 0        0        0     2479     2479     2479     2479     2479
1033     Junior                                               0        0        0        0        0        0        0        0        0
1034     Senior Lien for Purchase                             0        0        0        0        0        0        0        0        0
1035                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1036     Total Earnings                                       0        0        0        0     2479     2479     2479     2479     2479
1037                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1038   Net Revenue Required for Debt Service               6698     6698     6698     6698    35203    35203    35203    35203    35203
1039                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1040 REVENUE REQUIRED FOR CASH PAYMENT
1041      (Annual Renewal & Replacement Costs)
1042   Annual Cash Required                               12000    12000    12000    12000    12000    12000    12000    12000    12000
1043   Less Revenue Available from Debt Coverage              0        0        0        0     6197     6197     6197     6197     6197
1044                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1045   Net Revenue Required for Cash Payment              12000    12000    12000    12000     5803     5803     5803     5803     5803
1046                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1047 TOTAL REVENUE REQUIRED                               55934    55934    55934    55934    82742    82742    82742    82742    82742
1048                                                   ======== ======== ======== ======== ======== ======== ======== ======== ========
1049
1050
1051 REVENUE SOURCES
1052 ---------------
1053 CONCESSION REVENUE:
1054   Passengers - National                              16000    16000    16000    16000    16000    16000    16000    16000    16000
1055   Passengers - Dulles                                 4280     4580     4900     5243     5610     6003     6423     6873     7354
1056                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1057   Total Passengers                                   20280    20580    20900    21243    21610    22003    22423    22873    23354
1058                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1059   Per Capita Concession Revenue                       1.59     1.59     1.59     1.59     1.59     1.59     1.59     1.59     1.59
1060   (National and Dulles)
1061                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1062   Projected Concession Revenue                       32245    32722    33231    33777    34360    34985    35653    36368    37133
1063                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1064 RENTAL FEES:
1065   Square Feet - National                               291      291      291      291      291      291      291      291      291
1066   Square Feet - Dulles                                 153      153      153      153      333      333      333      333      333
1067                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1068   Total Square Feet                                    444      444      444      444      624      624      624      624      624
1069   Implied $ Fee Per Square Ft.                       17.87    17.37    16.83    16.26    30.59    30.12    29.62    29.08    28.51
1070                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1071   Total Rental Fees                                   7933     7710     7472     7218    19086    18794    18482    18148    17791
1072                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1073 LANDING FEES:
1074   Projected Lbs. (millions)                          18400    19320    20286    21300    22365    23484    24658    25891    27185
1075   Implied Landing Fees                                0.49     0.46     0.42     0.39     0.97     0.91     0.86     0.80     0.75
1076                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1077   Total Landing Fees                                  9054     8800     8528     8238    21783    21451    21094    20713    20306
1078                                                   -------- -------- -------- -------- -------- -------- -------- -------- --------
1079 OTHER FEES:                                          6702     6702     6702     6702     7512     7512     7512     7512     7512
1080
1081 TOTAL REVENUE PROJECTED                              55934    55934    55934    55934    82742    82742    82742    82742    82742
1082                                                   ======== ======== ======== ======== ======== ======== ======== ======== ========
1083
1084 SURPLUS REVENUE                                          0        0        0        0        0        0        0        0        0
1085                                                   ======== ======== ======== ======== ======== ======== ======== ======== ========
1086
1087
1088 COST PER ENPLANED PASSENGER                           5.32     5.44     5.35     5.27     7.66     7.52     7.38     7.23     7.09
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METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SERIAL BONDS -- CASE 4B Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	40000	40000	40000	40000	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	38400	38400	38400	38400	0	0	0	0	0
Dbt. Service Reserve Fund - Net	0	0	0	4960	4872	4804	4752	0	0	0	0	0
Capitalized Interest - Net	0	0	0	23046	16032	9944	4647	0	0	0	0	0
Costs of Issuance	0	0	0	2054	1824	1644	1478	0	0	0	0	0
NEW BONDS-Sr	0	0	0	68460	61128	54792	49278	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	68460	129588	184380	233657	233657	233657	233657	233657	233657
DEBT SERVICE--NEW BONDS-Sr	0	0	0	7262	6484	5812	5227	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	7262	13747	19559	24786	24786	24786	24786	24786	24786

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	18750	18750	18750	18750	0	0	0	0	0
Capital Costs - Dulles	0	0	0	21250	21250	21250	21250	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	46.88%	46.88%	46.88%	46.88%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	53.13%	53.13%	53.13%	53.13%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	32091	28654	25684	23099	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	32091	60744	86428	109527	109527	109527	109527	109527	109527
NEW BONDS-SR - DULLES	0	0	0	36370	32474	29108	26179	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	36370	68844	97952	124130	124130	124130	124130	124130	124130
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	3040	2724	2450	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	3404	6444	9168	11619	11619	11619	11619	11619	11619
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	3445	3088	2777	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	3858	7303	10391	13168	13168	13168	13168	13168	13168

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 5A Page 1

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	4500	4500	4500	4500	4500
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	41736	41736	41736	41736	41736
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	46474	46474	46474	46474	46474
Junior D.S.(Ann. Rnwl. and Replcmnt.)	0	0	0	0	0	0	0	0	0
Third Lien D.S.or Lease Pymnts. (Paid to FAA)	0	0	0	0	0	0	0	0	0
Total Debt Service	0	0	0	0	46474	46474	46474	46474	46474
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	0	0	0	58093	58093	58093	58093	58093
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	4647	4647	4647	4647	4647
Junior	0	0	0	0	0	0	0	0	0
Third Lien	0	0		0	0	0	0	0	0
Total Earnings	0	0	0	0	4647	4647	4647	4647	4647
Net Revenue Required for Debt Service	0	0	0	0	53445	53445	53445	53445	53445
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	0	0	0	0	0	0	0	0	0
Less Revenue Available from Debt Coverage	0	0	0	0	11619	11619	11619	11619	11619
Net Revenue Required for Cash Payment	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIRED	37236	37236	37236	37236	95181	95181	95181	95181	95181
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	333	333	333	333	333
Total Square Feet	444	444	444	444	624	624	624	624	624
Implied $ Fee Per Square Ft.	0.00	0.00	0.00	0.00	39.90	39.43	38.93	38.39	37.82
Total Rental Fees	0	0	0	0	24895	24603	24291	23958	23600
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.00	0.00	0.00	0.00	1.27	1.20	1.12	1.06	0.99
Total Landing Fees	0	0	0	0	28413	28081	27724	27343	26936
OTHER FEES:	6702	6702	6702	6702	7512	7512	7512	7512	7512
TOTAL REVENUE PROJECTED	38948	39424	39934	40479	95181	95181	95181	95181	95181
SURPLUS REVENUE	1712	2188	2698	3243	0	0	0	0	0
COST PER ENPLANED PASSENGER	3.67	3.62	3.56	3.51	8.81	8.65	8.49	8.32	8.15

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 5B Page 2

NATIONAL AND DULLES AIRPORTS COMBINED

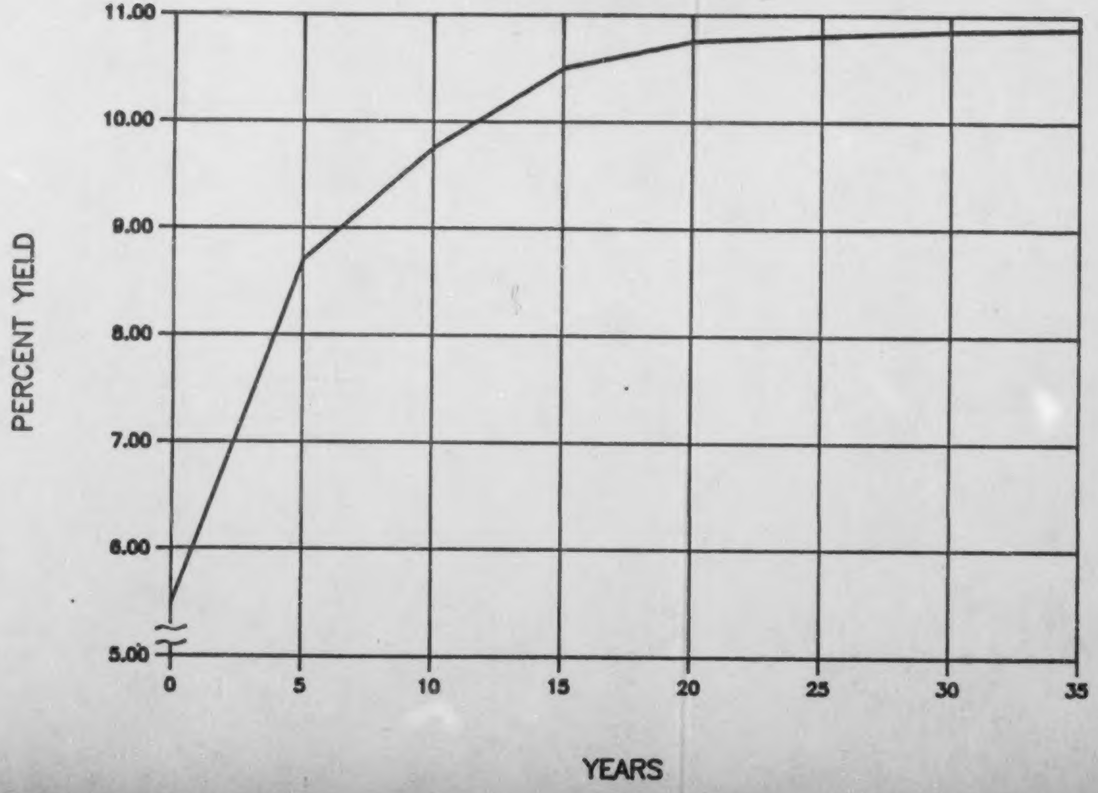
FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	75000	75000	75000	75000	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortization	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	72000	72000	72000	72000	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	9300	9125	9007	8910	0	0	0	0	0
Capitalized Interest - Net	0	0	0	43212	30051	18646	8713	0	0	0	0	0
Costs of Issuance	0	0	0	3851	3438	3082	2772	0	0	0	0	0
NEW BONDS-Sr	0	0	0	128363	114614	102734	92395	0	0	0	0	0
TOTAL BONDS-Sr	0	0	0	128363	242977	345712	438107	438107	438107	438107	438107	438107
DEBT SERVICE--NEW BONDS-Sr	0	0	0	13617	12158	10898	9801	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	13617	25775	36673	46474	46474	46474	46474	46474	46474

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	50000	50000	50000	50000	0	0	0	0	0
Capital Costs - Dulles	0	0	0	25000	25000	25000	25000	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	66.67%	66.67%	66.67%	66.67%	0.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	33.33%	33.33%	33.33%	33.33%	0.00%	0.00%	0.00%	0.00%	0.00%
NEW BONDS-SR - NATIONAL	0	0	0	85575	76409	68490	61597	0	0	0	0	0
TOTAL BONDS-SR - NATIONAL	0	0	0	85575	161985	230474	292071	292071	292071	292071	292071	292071
NEW BONDS-SR - DULLES	0	0	0	42788	38205	34245	30798	0	0	0	0	0
TOTAL BONDS-SR - DULLES	0	0	0	42788	80992	115237	146036	146036	146036	146036	146036	146036
DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	9078	8105	7265	6534	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - NATIONAL	0	0	0	9078	17183	24449	30983	30983	30983	30983	30983	30983
DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	4539	4053	3633	3267	0	0	0	0	0
AGGRE. DEBT SERVICE--NEW BONDS-SR - DULLES	0	0	0	4539	8592	12224	15491	15491	15491	15491	15491	15491

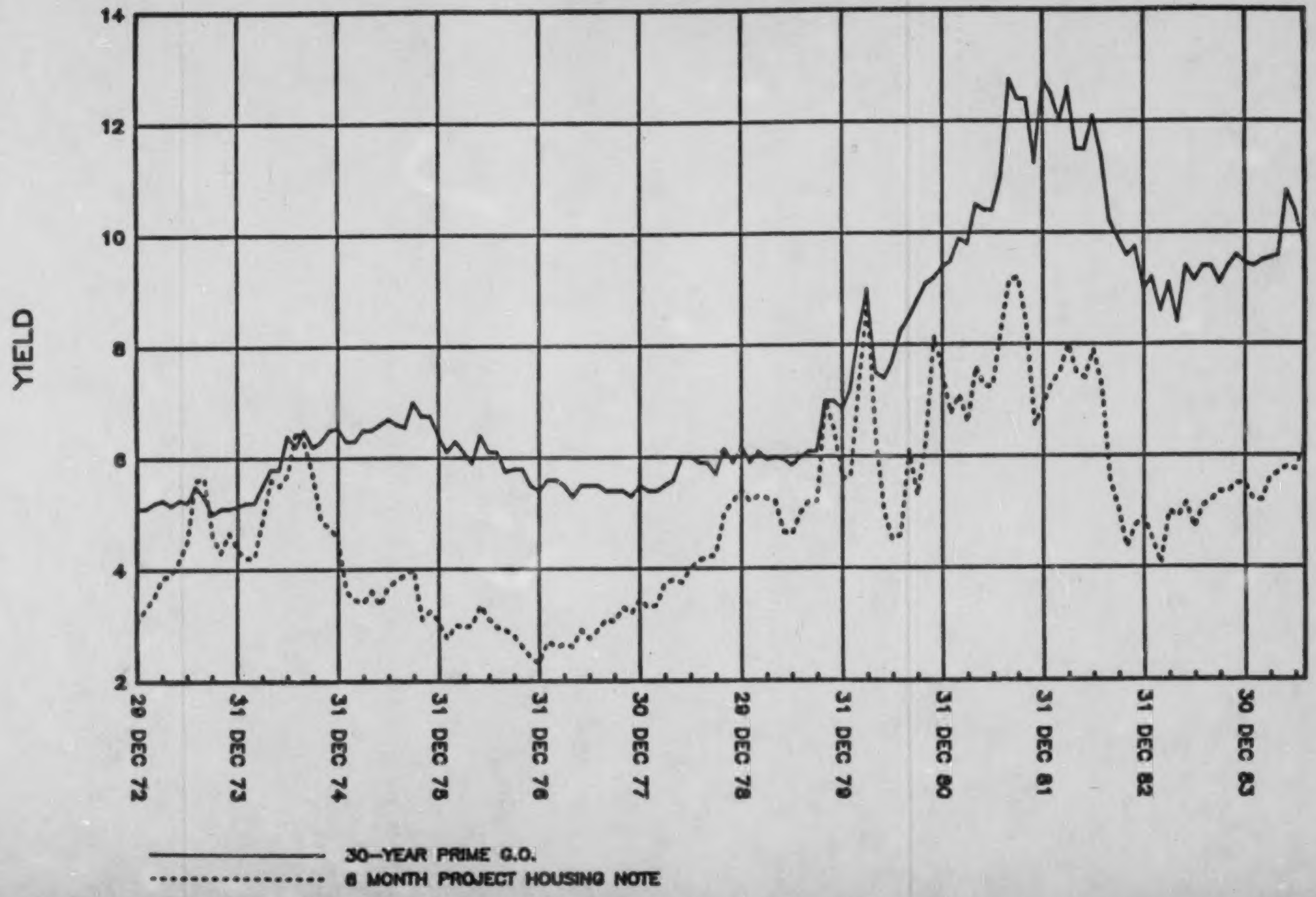
'A' TAX-EXEMPT AIRPORT REVENUE BONDS

YIELD CURVE OF INTEREST RATES
FROM 7 DAYS TO 35 YEARS
PREVAILING AS OF 10/15/84.



YIELD PROFILE

MONTHLY DATA



METROPOLITAN WASHINGTON AIRPORTS
Combined Statements of Revenue and Expenses
Fiscal Years 1979-83
(in thousands of dollars)

	1979	1980	1981	1982	1983
Sources					
Rent	5,834	6,001	6,280	7,180	6,988
Landing Fees	6,196	6,679	5,857	5,283	8,101
Concessions	18,346	18,228	18,255	20,664	23,432
Mobile Lounge Fees	2,988	2,595	403	69	939
Departure Gate Security Fees	1,651	1,746	1,602	716	825
Utility Sales	3,154	3,475	3,957	4,202	4,127
Other	592	948	1,123	731	799
Total Revenue	38,762	39,673	37,477	38,846	45,210
Operating Expenses	23,471	26,275	28,202	26,581	32,652
Operating Income	15,291	13,397	9,275	12,265	12,558
Less:					
Depreciation	4,204	4,137	3,890	3,800	3,839
Imputed Interest	2,687	2,223	1,731	2,399	2,078
Surplus Revenue	8,400	7,038	3,654	6,066	6,641
Passengers (thousands)					
National	15,134	14,538	14,175	13,321	14,461
Dulles	3,525	2,624	2,325	2,610	3,020
Total	18,659	17,163	16,500	15,931	17,481

10/29/84

June 25, 1985 Supplement
to
the November 29, 1984 Report
to

ADVISORY COMMISSION ON THE REORGANIZATION OF THE METROPOLITAN WASHINGTON AIRPORTS

Attention:
Honorable A. Linwood Holton, Jr.,
Chairman

Concerning:

CERTAIN FINANCIAL ASPECTS of the TRANSFER OF DULLES AND NATIONAL AIRPORTS

Submitted by:

SALOMON BROTHERS INC
WHEAT, FIRST SECURITIES, INC.

June 25, 1985

June 25, 1985

Advisory Commission on the Reorganization
of the Metropolitan Washington Airports
U.S. Department of Transportation
400 Seventh St., S.W.
Washington, D.C. 20590

Attn: Honorable A. Linwood Holton, Jr.

TRANSMITTAL LETTER

Subject: June 25, 1985 Supplement
to November 29, 1984 Report
Concerning Financial Aspects of the
Transfer of Dulles and National Airports

Dear Governor Holton:

Salomon Brothers Inc and Wheat, First Securities submitted a detailed report to the Commission on November 29, 1984 concerning certain financial aspects of the transfer of Dulles International Airport and Washington National Airport to public ownership by a State, municipal or interstate entity.

This supplemental report, which addresses certain revisions to assumptions made in the November 1984 report and makes several refinements to certain cases analyzed therein, should be reviewed in conjunction with, and be considered part of, the November 1984 report. The major revisions include:

1. Increased capital expenditures at both airports from a low requirement of $160 million in the November 1984 report to $240 million in June 1985, and from a high requirement of $300 million in the November 1984 report to $370 million based on more current cost estimates and increased size of the Dulles midfield terminal due to projected increased airline demand for gates.

2. Review of the Administration tax proposal covering the issuance of tax-exempt revenue bonds for airports and the financial impact on the airports if taxable financing of the airports' improvements is required.

3. A purchase price of $84 million for the airports as indicated in Senate Bill S. 1017 and House Bill H. R. 2337 comprised of $37 million paid at the time of airport transfer and $47 million amortized over 35 years.

Honorable A. Linwood Holton, Jr.
June 25, 1985
Page Two

The results of our financial analysis contained in this supplemental report compare favorably with many of the cases presented in the November 29, 1984 report from the standpoint of levels of landing fees, terminal rental costs and cost per enplaned passenger. The ultimate judges of the financial feasibility will be the users of the airports as such user fees relate to the proposed level of improvements.

Very truly yours,

Salomon Brothers Inc
Wheat, First Securities, Inc.

By: Salomon Brothers Inc

TABLE OF CONTENTS

PAGE

REVISED PROJECT COST ESTIMATES 1

FINANCING OF AIRPORTS' IMPROVEMENTS--IMPACT OF PRESIDENT'S PROPOSAL FOR REVISIONS TO FEDERAL TAX CODE 2

DESCRIPTION OF FINANCING CASES ANALYZED 4

NUMERICAL COMPARISON OF CASES 6

SUMMARY OF ASSUMPTIONS 7

EXHIBIT

DETAILED NUMERICAL ANALYSIS OF CASES A

REVISED PROJECT COST ESTIMATES

We have revised the estimates of total proposed project construction costs and the estimated completion dates from those estimates contained in the November 29, 1984 report to the Commission on the basis of information provided by MWA staff.

DULLES

The revised smaller project cost estimate at Dulles has been increased from $85 million in November 1984 to $140 million in June 1985 and the revised larger project cost estimate has been increased from $100 million in November 1984 to $175 million in June 1985. This revision is largely based on an increase in the number of gates projected to be required from a previous low number of 12 and a high number of 18 to a revised number of 24 gates in both cases, reflective of the extensive expression of interest by various airline companies. Other increases in cost estimates at Dulles reflect increased magnitudes of ancillary facilities (such as people movers, airfield, apron and taxiways), necessary to service the larger number of gates.

Revised terminal rental charges per square foot reflect an additional 180,000 square feet to a total of 360,000 square feet. Notwithstanding the increased terminal size and potential increased airline demand, and hence traffic, the growth in passengers, aircraft operations and landing weights is maintained at the same level as in the November 1984 report. The results, therefore, present a relatively conservative picture concerning estimated concession revenues and landing fees required to support the financing program.

The construction start date has been revised from the beginning of fiscal year 1986 to 1987 as a practical estimate of the time necessary to complete legislative and other legal arrangements required to transfer the airports. The completion date for this project is still estimated to occur in fiscal year 1989 with revenues beginning to flow in 1990.

NATIONAL

The revised smaller project cost estimate at National has been increased from $75 million in November 1984 to $100 million in June 1985, while the larger project cost estimate has remained the same at $200 million. The revision in the smaller project estimate reflects primarily additional improvements to the parking areas. However, no additional revenues have been estimated relating to such parking improvements.

The construction start date has been revised from fiscal year 1986 to fiscal year 1987 and completion from fiscal year 1989 to fiscal year 1990.

TOTAL REVISED PROJECT ESTIMATES

Thus the total smaller project cost estimate has been increased to $240 million, from $160 million and the larger project cost estimate has been increased to $370 million, from $300 million. The attached numerical analysis reflects these changes.

FINANCING OF AIRPORTS' IMPROVEMENTS-- IMPACT OF PRESIDENT'S PROPOSAL FOR REVISIONS TO FEDERAL TAX CODE.

Current Federal Law and Regulations

Current Federal law and regulations permit the tax-exempt financing of airport facilities as "industrial development bonds" but without a dollar volume limitation if such bonds are issued to finance airports owned by, or on behalf of, a governmental unit.

In 1984 two major additional restrictions were imposed on issuers of airport revenue bonds. The first prohibited "advance refundings" of bonds issued to finance airports. The second required a rebate to the Treasury of essentially all "arbitrage profits" (the yield achieved on reinvestment of bond proceeds in excess of the yield on bonds issued).

Proposed Revisions to Issuance of Tax-Exempt Bonds for Airports

The President's tax proposal would prohibit the issuance of tax-exempt bonds for any entity if more than one percent of the proceeds would be used directly, or indirectly by any nongovernmental person (an entity other than a state or local government, i.e. investor-owned airline companies).

Most airports, including Dulles and National, rely on large airline companies to pay landing fees and terminal rental charges. Since a large number of the airlines using Dulles and National airports would be considered to be individually using more than one percent of the bond proceeds based upon such airlines' landing activity and square feet of rented terminal space, then no tax-exempt bonds could be issued for those improvements. Certain purely public improvements such as public roads and parking facilities may possibly still be financed on a tax-exempt basis.

Economic Impact of Proposed Legislation on MWA Transfer

The legislation has not yet been drafted, so a precise determination of the economic impact on MWA cannot yet be determined.

For purposes of comparing the relative economic impact of financing all, or a major portion, of MWA's improvements and acquisition cost on a taxable versus a tax-exempt basis, this supplemental report assumes that all financing is done either tax-exempt or taxable, thus presenting a "best case" and "worst case" scenario, at the interest rates assumed.

Subject to legal interpretation as to what improvements may possibly constitute purely public improvements, any such allocation of costs which could be financed on a tax-exempt basis would simply allow interpolation between the 100% tax-exempt and 100% taxable financing cases.

The Market For and Structure of Taxable Project Revenue Bonds

The President's tax proposal could have the effect of reducing tax-exempt bond volume from the current level of about $100 billion to about $40 billion annually, as estimated by Treasury staff. Much of the remaining $60 billion of projects will still need to be financed, albeit in the more expensive taxable bond market.

It is not yet clear whether the traditional buyers of taxable bonds (such as life insurance companies and pension funds) will be the sole source of capital for the additional financing required for municipal projects, or whether traditional tax-exempt bond buyers (casualty insurance companies, commercial banks, bond funds and individuals) will redeploy some assets to the taxable bond market.

The structure of the underlying bond transaction required by the respective investors in taxable project revenue bonds has historically differed from the structure of tax-exempt bond transactions. Tax-exempt transactions have required debt service reserve funds and fully funded interest during construction, all provided by a single investor or group of investors. Taxable project financings have required two types of investors/lenders: (1) a construction lender during the construction period (commercial banks); and, (2) a permanent (or "take-out") lender/investor following completion of construction and the commencement of the flow of revenues.

However, such traditional taxable project investors/lenders have not required debt service reserve funds or capitalized interest (largely due to the negative reinvestment opportunities compared to the cost of funds). The construction loan analyzed herein assumes a monthly borrowing of: (i) previously borrowed funds; (ii) interest accruing on such borrowed funds balance; and (iii) current construction costs, the aggregate of which result in a gradually increasing loan balance.

Since the required financing structure cannot at this time be determined with any degree of certainty, we have presented two taxable financing scenarios at each of the low capital cost ($240 million) and high capital cost ($370 million) estimates: (1) a traditional tax-exempt structure, but at taxable interest rates; and (2) a traditional taxable project financing structure at taxable rates. These cases are summarized on Page 6.

Traditional Airport Financing - Equity for MWA

All major airport facilities in the United States have either been acquired and improved, or initially constructed and improved, using tax-exempt financing, except Dulles and National airports which secured appropriations from the U.S. Treasury.

The ability of MWA to receive appropriations in the magnitudes and at the times necessary to proceed with a construction program of the size currently contemplated has historically proven difficult and is one of the reasons for consideration of the transfer of MWA to another entity. The probability of MWA receiving appropriations for the proposed improvement program in the present scenario of large Federal Budget deficits and administration efforts to reduce expenditures is even less likely.

At this potentially momentous transition phase for MWA, one where substantial major improvements could be implemented to the users' and consumers' benefit for the first time in 20 years, it appears somewhat ironic, if not inequitable, that the new entity would have to secure financing on a taxable basis when all of its competitors nationwide have been able to do so in the tax-exempt market.

DESCRIPTION OF FINANCING CASES ANALYZED

Each of the six cases analyzed in this presentation, designated 85A through 85F, assumes airport revenues are generated by a new entity just adequate to meet all expenses. In all cases, the assumed $12 million annual renewal and replacements requirements are funded from current revenues. Purchase of the airports is accomplished by paying the net recoverable investment in the existing airport facilities ($47 million) to the FAA in annual installments of $2.86 million for 35 years at an average imputed cost of federal borrowing, and a single payment of $37 million paid at transfer with proceeds of an initial borrowing, both as suggested by MWA.

Case 85A - $240 Million New Construction
with Tax-Exempt Financing

Case 85A assumes a total cost of construction at both airports of $240 million, financed with tax-exempt revenue bond issues providing a debt service reserve fund and interest capitalized to the completion of all construction. The interest cost is assumed to be 10% fixed over a thirty year maturity, with principal scheduled to provide for equal annual debt service payments.

Case 85B - $240 Million New Construction
with Taxable Financing Containing
a Debt Service Reserve Fund

Case 85B modifies 85A by assuming that the financing for construction is made under a structure identical with that of Case 85A containing both a debt service reserve fund and interest capitalized to completion of the airport improvements, but that the interest on the bonds is taxable at an assumed 12% rate.

Case 85C - $240 Million New Construction
with Taxable Project Financing

This case modifies 85B by financing the construction with taxable borrowing at a 12% rate during the construction period and at 12.5% following completion of the project, structured without a reserve fund or interest capitalized beyond actual interest expense payable periodically throughout the construction period. Since no funds are borrowed prior to the time in which they are expended for construction or accrued interest, there are no assumed arbitrage losses on temporary reinvestment, and thus total debt service costs for repayment are lower than for Case 85B.

Case 85D - $370 Million New Construction
with Tax-Exempt Financing

Case 85D is identical to 85A except for the increased construction cost.

Case 85E - $370 Million New Construction
with Taxable Financing Containing
a Debt Service Reserve Fund

Case 85E is identical to 85B except for the increased construction cost.

Case 85F - $370 Million New Construction
with Taxable Project Financing

Case 85F is identical to 85C except for the increased construction cost.

METROPOLITAN WASHINGTON AIRPORTS
Comparison of Cases
1991 Revenues and Expenses
($000s)

CASE NUMBER	CAPITAL COST - NEW CONSTRUCTION	ANNUAL RENEWAL & REPLACEMENT (a)	PURCHASE PAYMENT TO U.S. (b)	TYPE OF BONDS	INTEREST RATE ASSUMED	TOTAL BONDS ISSUED	NET ANNUAL DEBT SERVICE (c)	REVENUE REQUIREMENT (d)	IMPLIED LANDING FEE $/1000 LBS	IMPLIED SQUARE FOOT RENTAL COST	COST PER ENPLANED PASSENGER
85 - A	$240,000	$12,000	$84,000	TAX-EXEMPT REV.	10.00%	$413,811	$42,370	$100,666	$1.30	$33.28	$9.14
85 - B	$240,000	$12,000	$84,000	TAXABLE REV.	12.00%	$462,044	$54,487	$112,723	$1.50	$40.32	$10.25
85 - C	$240,000	$12,000	$84,000	TAXABLE PROJECT	12.50%	$380,355	$52,093	$111,129	$1.54	$39.39	$10.10
85 - D	$370,000	$12,000	$84,000	TAX-EXEMPT REV.	10.00%	$603,630	$60,495	$118,731	$1.71	$43.81	$10.79
85 - E	$370,000	$12,000	$84,000	TAXABLE REV.	12.00%	$672,358	$77,982	$136,219	$2.11	$53.97	$12.38
85 - F	$370,000	$12,000	$84,000	TAXABLE PROJECT	12.50%	$566,724	$75,834	$134,070	$2.06	$52.72	$12.19

(a) Renewals and replacements funded with cash payments in each year.

(b) Purchase price based on net recoverable investment in existing airport facilities to be paid to FAA in 35 annual installments with assumed interest at average imputed cost of federal borrowing, plus $37 million paid at transfer from initial borrowing.

(c) Net annual debt service equals total debt service payable (without additional coverage) less interest earnings on any debt service reserve funds.

(d) Total annual revenue requirements are equal to the sum of annual operating expenses, annual debt service, annual payments for renewal and replacement capital expenditures and annual payments for the purchase price of the airports.

SUMMARY OF ASSUMPTIONS
CURRENT ANALYSIS OF TRANSFER
OF METROPOLITAN WASHINGTON AIRPORTS

1. A purchase price for the two airports comprised of $37 million paid at the time of transfer and annual lease payments to the Treasury of $2,863,000 based on net recoverable investment in airport facilities and average imputed cost of federal borrowing.

2. Construction of airport improvements begun in fiscal year 1987, and completed in 1989 at Dulles and 1990 at National.

3. Low and high assumed construction estimates of $100 million and $200 million respectively, for National, and $140 million and $170 million respectively, for Dulles (now assuming 24 gates and 360,000 square feet of rental space versus 12 gates and 18 gates in the November 1984 analysis).

4. Annual expenditures for renewals and replacements in the amount of $12 million funded from current revenues (not financed from bond proceeds).

5. Assumed interest cost of 10% on tax-exempt senior lien airport revenue bonds with a debt service reserve fund equal to one year's debt service and interest capitalized during construction.

6. Two taxable financing alternatives:
   (a) Taxable revenue bonds similar to tax-exempt revenue bonds with one year's debt service reserve fund and interest capitalized during construction but with a taxable rate on the bonds of 12%; and

   (b) separate construction financing at 12% (Prime plus 2%) and permanent financing at 12 1/2% for taxable project bonds, without a debt service reserve fund and with interest on the construction loan accruing and borrowed as part of monthly construction drawdowns.

7. The reinvestment rate for unexpended construction fund monies and capitalized interest fund monies is assumed at 8% and the reinvestment rate for debt service reserve fund monies is assumed at 10%.

8. Total annual revenues required have been established to be precisely equal to total annual expenditures (O & M, Debt Service and lease payments, annual renewal and replacement capital expenditures). For tax-exempt revenue bonds, a minimum coverage ratio, of net revenues to senior debt service of 1.25:1, was

required. Where this requirement causes revenue required to exceed actual annual cash expenditures, under any tax-exempt or taxable financing scenario, a credit of such excess revenue is rebated to the airport users.

9. All other assumptions are unchanged from the November 29, 1984 Report to the Advisory Commission on Reorganization of the Metropolitan Washington Airports.

METROPOLITAN WASHINGTON AIRPORTS — ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS — SUMMARY REPORT — CASE 05A — $290 MILLION CONSTRUCTION — TAX-EXEMPT FINANCING [redacted]

NATIONAL AND DULLES AIRPORTS COMBINED

A-1

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	9000	9000	9000	9000	9000
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	46236	46236	46236	46236	46236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	0	43897	43897	43897	43897
Junior D.S.(Ann. Rnwl. and Replcmnt.)	0	0	0	0	0	0	0	0	0
Senior Lien D.S.or Lease Pymts. (Paid to FAA)	0	2863	2863	2863	2863	2863	2863	2863	2863
Total Debt Service	0	2863	2863	2863	2863	46760	46760	46760	46760
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	2863	2863	2863	2863	57734	57734	57734	57734
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	0	4390	4390	4390	4390
Junior	0	0	0	0	0	0	0	0	0
Senior Lien for Purchase	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	0	4390	4390	4390	4390
Net Revenue Required for Debt Service	0	2863	2863	2863	2863	53344	53344	53344	53344
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	0	10974	10974	10974	10974
Net Revenue Required for Cash Payment	12000	12000	12000	12000	12000	1026	1026	1026	1026
TOTAL REVENUE REQUIRED	49236	52099	52099	52099	61099	100606	100606	100606	100606
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4200	4500	4900	5243	5610	6003	6423	6873	7334
Total Passengers	20200	20500	20900	21243	21610	22003	22423	22873	23334
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	513	513	513	513	513
Total Square Feet	444	444	444	444	804	804	804	804	804
Implied $ Fee Per Square Ft.	10.82	13.33	12.80	12.22	10.70	33.28	32.89	32.48	32.03
Total Rental Fees	4805	5919	5681	5426	8600	26759	26447	26113	25756
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.30	0.35	0.32	0.29	0.44	1.30	1.22	1.15	1.08
Total Landing Fees	5484	6756	6484	6193	9816	30540	30184	29803	29396
OTHER FEES:	6702	6702	6702	6702	8322	8322	8322	8322	8322
TOTAL REVENUE PROJECTED	49236	52099	52099	52099	61099	100606	100606	100606	100606
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.86	5.06	4.99	4.91	5.65	9.14	8.97	8.80	8.62

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 05A -- $200 MILLION CONSTRUCTION -- TAX-EXEMPT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	97000	60000	60000	60000	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0620	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	0	93120	57600	57600	57600	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	13038	7308	7205	7128	0	0	0	0
Capitalized Interest - Net	0	0	0	0	55007	24033	14917	6971	0	0	0	0
Costs of Issuance	0	0	0	0	4980	2751	2466	2217	0	0	0	0
NEW BONDS-Sr	0	0	0	0	166016	91691	82188	73916	0	0	0	0
TOTAL BONDS-Sr	0	0	0	0	166016	257708	339895	413811	413811	413811	413811	413811
DEBT SERVICE--NEW BONDS-Sr	0	0	0	0	17611	9727	8718	7841	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	0	17611	27337	36056	43897	43897	43897	43897	43897

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	0	18500	20000	20000	60000	0	0	0	0
Capital Costs - Dulles	0	0	0	0	78500	40000	40000	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	0.00%	19.07%	33.33%	33.33%	100.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	0.00%	80.93%	66.67%	66.67%	0.00%	0.00%	0.00%	0.00%	0.00%

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

A-3

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 85B -- $200 MILLION CONSTRUCTION -- TAXABLE FINANCING WITH DEBT SERVICE RESERVE

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	9000	9000	9000	9000	9000
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	46236	46236	46236	46236	46236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	0	57360	57360	57360	57360
Junior D.S.(Ann. Rnwl. and Replcmt.)	0	0	0	0	0	0	0	0	0
Senior Lien D.S.or Lease Pymts. (Paid to FAA)	0	2863	2863	2863	2863	2863	2863	2863	2863
Total Debt Service	0	2863	2863	2863	2863	60223	60223	60223	60223
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	2863	2863	2863	2863	74563	74563	74563	74563
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	0	5736	5736	5736	5736
Junior	0	0	0	0	0	0	0	0	0
Senior Lien for Purchase	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	0	5736	5736	5736	5736
Net Revenue Required for Debt Service	0	2863	2863	2863	2863	68827	68827	68827	68827
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	0	14340	14340	14340	14340
Net Revenue Required for Cash Payment	12000	12000	12000	12000	12000	-2340	-2340	-2340	-2340
TOTAL REVENUE REQUIRED	49236	52099	52099	52099	61099	112723	112723	112723	112723
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	513	513	513	513	513
Total Square Feet	444	444	444	444	804	804	804	804	804
Implied $ Fee Per Square Ft.	10.82	13.33	12.80	12.22	10.70	40.32	39.93	39.52	39.07
Total Rental Fees	4805	5919	5681	5426	8600	32417	32105	31771	31414
LANDING FEES:									
Projected Lbs. (millions)	18280	19320	20206	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.30	0.35	0.32	0.29	0.44	1.58	1.49	1.40	1.32
Total Landing Fees	5484	6756	6484	6193	9816	36999	36642	36261	35854
OTHER FEES:	6702	6702	6702	6702	8322	8322	8322	8322	8322
TOTAL REVENUE PROJECTED	49236	52099	52099	52099	61099	112723	112723	112723	112723
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.86	5.06	4.99	4.91	5.65	10.25	10.05	9.86	9.65

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 05A -- $240 MILLION CONSTRUCTION -- TAXABLE FINANCING WITH DEBT SERVICE RESERVE

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	97000	60000	60000	60000	0	0	0	0
Average Interest Rate	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
Years of Capitalized Interest	0.0	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	0	93120	57600	57600	57600	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	16407	9556	9097	8738	0	0	0	0
Capitalized Interest - Net	0	0	0	0	78167	32225	19312	8761	0	0	0	0
Costs of Issuance	0	0	0	0	5805	3074	2660	2323	0	0	0	0
NEW BONDS-Sr	0	0	0	0	193499	102454	88669	77422	0	0	0	0
TOTAL BONDS-Sr	0	0	0	0	193499	295953	384622	462044	462044	462044	462044	462044
DEBT SERVICE--NEW BONDS-Sr	0	0	0	0	24022	12719	11008	9611	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	0	24022	36741	47749	57360	57360	57360	57360	57360
BOND AND DEBT SERVICE ALLOCATION												
Capital Costs - National	0	0	0	0	18500	20000	20000	60000	0	0	0	0
Capital Costs - Dulles	0	0	0	0	78500	40000	40000	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	0.00%	19.07%	33.33%	33.33%	100.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	0.00%	80.93%	66.67%	66.67%	0.00%	0.00%	0.00%	0.00%	0.00%

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 85C -- $240 MILLION CONSTRUCTION -- TAXABLE PROJECT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	9000	9000	9000	9000	9000
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	46236	46236	46236	46236	46236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	0	50030	50030	50030	50030
Junior D.S.(Ann. Renl. and Replcmnt.)	0	0	0	0	0	0	0	0	0
Senior Lien D.S.or Lease Pymnts. (Paid to FAA)	0	2863	2863	2863	2863	2863	2863	2863	2863
Total Debt Service	0	2863	2863	2863	2863	52893	52893	52893	52893
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	2863	2863	2863	2863	65401	65401	65401	65401
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	0	0	0	0	0
Junior	0	0	0	0	0	0	0	0	0
Senior Lien for Purchase	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	0	0	0	0	0
Net Revenue Required for Debt Service	0	2863	2863	2863	2863	65401	65401	65401	65401
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	0	12500	12500	12500	12500
Net Revenue Required for Cash Payment	12000	12000	12000	12000	12000	-500	-500	-500	-500
TOTAL REVENUE REQUIRED	49236	52099	52099	52099	61099	111129	111129	111129	111129
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	513	513	513	513	513
Total Square Feet	444	444	444	444	804	804	804	804	804
Implied $ Fee Per Square Ft.	10.82	13.33	12.80	12.22	10.70	39.39	39.01	38.59	38.15
Total Rental Fees	4805	5919	5681	5426	8600	31673	31361	31027	30670
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.30	0.35	0.32	0.29	0.44	1.54	1.45	1.37	1.29
Total Landing Fees	5484	6756	6484	6193	9816	36149	35793	35412	35004
OTHER FEES:	6702	6702	6702	6702	8322	8322	8322	8322	8322
TOTAL REVENUE PROJECTED	49236	52099	52099	52099	61099	111129	111129	111129	111129
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.86	5.06	4.99	4.91	5.65	10.10	9.91	9.72	9.52

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE #5C -- $240 MILLION CONSTRUCTION -- TAXABLE PROJECT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	97000	60000	60000	60000	0	0	0	0
Average Interest Rate	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1250	0.1250	0.1250	0.1250
Years of Capitalized Interest	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate												
Long-Term Reinvestment Rate												
Construction Costs - Net	0	0	0	0	97000	60000	60000	60000	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	5820	17337	27084	38000	0	0	0	0
Costs of Issuance	0	0	0	0	11657	3886	3886	3886	0	0	0	0
NEW BONDS-Sr	0	0	0	0	114477	81223	90969	101886	0	0	0	0
TOTAL BONDS-Sr	0	0	0	0	114477	195699	286669	388555	388555	388555	388555	388555
DEBT SERVICE--NEW BONDS-Sr	0	0	0	0	0	0	0	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	0	0	0	0	0	50030	50030	50030	50030

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	0	18500	20000	20000	60000	0	0	0	0
Capital Costs - Dulles	0	0	0	0	78500	40000	40000	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	0.00%	19.07%	33.33%	33.33%	100.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	0.00%	80.93%	66.67%	66.67%	0.00%	0.00%	0.00%	0.00%	0.00%

METROPOLITAN WASHINGTON AIRPORTS — ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE 850 -- $370 MILLION CONSTRUCTION — TAX-EXEMPT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30		1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS										
REVENUE REQUIRED FOR OPERATING EXPENSES:										
Operating Expenses for Existing Facilities		37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie		0	0	0	0	9000	9000	9000	9000	9000
Total Revenue Required for Op. Exp	1.00	37236	37236	37236	37236	46236	46236	46236	46236	46236
REVENUE REQUIRED FOR DEBT SERVICE:										
Senior D.S. (New Capital Projects)		0	0	0	0	0	64036	64036	64036	64036
Junior D.S.(Ann. Renl. and Replcmnt.)		0	0	0	0	0	0	0	0	0
Senior Lien D.S.or Lease Pymnts. (Paid to FAA)		0	2863	2863	2863	2863	2863	2863	2863	2863
Total Debt Service		0	2863	2863	2863	2863	66899	66899	66899	66899
Coverage Ratio		1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt		0	2863	2863	2863	2863	82907	82907	82907	82907
Less D.S. Res. Fund Earnings:										
Senior		0	0	0	0	0	6404	6404	6404	6404
Junior		0	0	0	0	0	0	0	0	0
Senior Lien for Purchase		0	0	0	0	0	0	0	0	0
Total Earnings		0	0	0	0	0	6404	6404	6404	6404
Net Revenue Required for Debt Service		0	2863	2863	2863	2863	76504	76504	76504	76504
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)										
Annual Cash Required		12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage		0	0	0	0	0	16009	16009	16009	16009
Net Revenue Required for Cash Payment		12000	12000	12000	12000	12000	-4009	-4009	-4009	-4009
TOTAL REVENUE REQUIRED		49236	52099	52099	52099	61099	118731	118731	118731	118731
REVENUE SOURCES										
CONCESSION REVENUE:										
Passengers - National		16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles		4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers		20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)		1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue		32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:										
Square Feet - National		291	291	291	291	291	291	291	291	291
Square Feet - Dulles		153	153	153	153	513	513	513	513	513
Total Square Feet		444	444	444	444	804	804	804	804	804
Implied $ Fee Per Square Ft.		10.82	13.33	12.80	12.22	10.70	43.81	43.42	43.01	42.56
Total Rental Fees		4805	5919	5681	5426	8600	35223	34911	34577	34220
LANDING FEES:										
Projected Lbs. (millions)		18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees		0.30	0.35	0.32	0.29	0.44	1.71	1.62	1.52	1.44
Total Landing Fees		5484	6756	6484	6193	9816	40201	39845	39464	39056
OTHER FEES:		6702	6702	6702	6702	8322	8322	8322	8322	8322
TOTAL REVENUE PROJECTED		49236	52099	52099	52099	61099	118731	118731	118731	118731
SURPLUS REVENUE		0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER		4.86	5.06	4.99	4.91	5.65	10.79	10.59	10.38	10.17

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 050 -- $370 MILLION CONSTRUCTION -- TAX-EXEMPT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	129500	92500	92500	92500	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	0	124320	88800	88800	88800	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	16059	11266	11108	10989	0	0	0	0
Capitalized Interest - Net	0	0	0	0	74612	37051	22996	10746	0	0	0	0
Costs of Issuance	0	0	0	0	6649	4241	3801	3419	0	0	0	0
	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------
NEW BONDS-Sr	0	0	0	0	221640	141358	126706	113954	0	0	0	0
TOTAL BONDS-Sr	0	0	0	0	221640	362998	489703	603658	603658	603658	603658	603658
	========	========	========	========	========	========	========	========	========	========	========	========
DEBT SERVICE--NEW BONDS-Sr	0	0	0	0	23511	14995	13441	12088	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	0	23511	38507	51947	64036	64036	64036	64036	64036

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	0	41000	42500	42500	92500	0	0	0	0
Capital Costs - Dulles	0	0	0	0	88500	50000	50000	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	0.00%	31.66%	45.95%	45.95%	100.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	0.00%	68.34%	54.05%	54.05%	0.00%	0.00%	0.00%	0.00%	0.00%

METROPOLITAN WASHINGTON AIRPORTS — ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS — SUMMARY REPORT -- CASE #3E — $370 MILLION CONSTRUCTION -- TAXABLE FINANCING WITH DEBT SERVICE RESERVE

A-9

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	9000	9000	9000	9000	9000
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	46236	46236	46236	46236	46236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	0	83466	83466	83466	83466
Junior D.S.(Ann. Renl. and Replcmnt.)	0	0	0	0	0	0	0	0	0
Senior Lien D.S.or Lease Pymts. (Paid to FAA)	0	2863	2863	2863	2863	2863	2863	2863	2863
Total Debt Service	0	2863	2863	2863	2863	86329	86329	86329	86329
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	2863	2863	2863	2863	107196	107196	107196	107196
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	0	8347	8347	8347	8347
Junior	0	0	0	0	0	0	0	0	0
Senior Lien for Purchase	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	0	8347	8347	8347	8347
Net Revenue Required for Debt Service	0	2863	2863	2863	2863	98849	98849	98849	98849
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	0	20867	20867	20867	20867
Net Revenue Required for Cash Payment	12000	12000	12000	12000	12000	-8867	-8867	-8867	-8867
TOTAL REVENUE REQUIRED	49236	52099	52099	52099	61099	136219	136219	136219	136219
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	513	513	513	513	513
Total Square Feet	444	444	444	444	804	804	804	804	804
Implied $ Fee Per Square Ft.	10.82	13.33	12.80	12.22	10.70	53.97	53.58	53.16	52.72
Total Rental Fees	4805	5919	5681	5426	8600	43390	43078	42744	42387
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.30	0.35	0.32	0.29	0.44	2.11	1.99	1.88	1.78
Total Landing Fees	5484	6756	6485	6193	9816	49522	49166	48785	48377
OTHER FEES:	6702	6702	6702	6702	8322	8322	8322	8322	8322
TOTAL REVENUE PROJECTED	49236	52099	52099	52099	61099	136219	136219	136219	136219
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.86	5.06	4.99	4.91	5.65	12.38	12.15	11.91	11.67

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 85E -- $370 MILLION CONSTRUCTION -- TAXABLE FINANCING WITH DEBT SERVICE RESERVE

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	129500	92500	92500	92500	0	0	0	0
Average Interest Rate	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
Years of Capitalized Interest	0.0	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	0	124320	88800	88800	88800	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	21904	14732	14025	13471	0	0	0	0
Capitalized Interest - Net	0	0	0	0	104357	49680	29772	13507	0	0	0	0
Costs of Issuance	0	0	0	0	7750	4739	4101	3581	0	0	0	0
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NEW BONDS-Sr	0	0	0	0	258331	157951	136698	119359	0	0	0	0
TOTAL BONDS-Sr	0	0	0	0	258331	416281	552979	672338	672338	672338	672338	672338
	========	========	========	========	========	========	========	========	========	========	========	========
DEBT SERVICE--NEW BONDS-Sr	0	0	0	0	32070	19609	16970	14818	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	0	32070	51679	68649	83466	83466	83466	83466	83466
BOND AND DEBT SERVICE ALLOCATION												

Capital Costs - National	0	0	0	0	41000	42500	42500	92500	0	0	0	0
Capital Costs - Dulles	0	0	0	0	88500	50000	50000	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	0.00%	31.66%	45.95%	45.95%	100.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	0.00%	68.34%	54.05%	54.05%	0.00%	0.00%	0.00%	0.00%	0.00%

METROPOLITAN WASHINGTON AIRPORTS — ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS — SUMMARY REPORT — CASE 05F — $370 MILLION CONSTRUCTION — TAXABLE PROJECT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	9000	9000	9000	9000	9000
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	46236	46236	46236	46236	46236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S. (New Capital Projects)	0	0	0	0	0	72971	72971	72971	72971
Junior D.S.(Ann. Renl. and Replcmnt.)	0	0	0	0	0	0	0	0	0
Senior Lien D.S.or Lease Pymnts. (Paid to FAA)	0	2863	2863	2863	2863	2863	2863	2863	2863
Total Debt Service	0	2863	2863	2863	2863	75834	75834	75834	75834
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	2863	2863	2863	2863	94077	94077	94077	94077
Less D.S. Res. Fund Earnings:									
Senior	0	0	0	0	0	0	0	0	0
Junior	0	0	0	0	0	0	0	0	0
Senior Lien for Purchase	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	0	0	0	0	0
Net Revenue Required for Debt Service	0	2863	2863	2863	2863	94077	94077	94077	94077
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	0	18243	18243	18243	18243
Net Revenue Required for Cash Payment	12000	12000	12000	12000	12000	-6243	-6243	-6243	-6243
TOTAL REVENUE REQUIRED	49236	52099	52099	52099	61099	134070	134070	134070	134070
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	513	513	513	513	513
Total Square Feet	444	444	444	444	804	804	804	804	804
Implied $ Fee Per Square Ft.	10.82	13.33	12.80	12.22	10.70	52.72	52.33	51.92	51.47
Total Rental Fees	4805	5919	5681	5426	8600	42386	42074	41741	41383
LANDING FEES:									
Projected Lbs. (millions)	18400	19320	20286	21300	22365	23484	24658	25891	27185
Implied Landing Fees	0.30	0.35	0.32	0.29	0.44	2.06	1.95	1.84	1.74
Total Landing Fees	5484	6756	6484	6193	9816	48377	48021	47640	47232
OTHER FEES:	6702	6702	6702	6702	8322	8322	8322	8322	8322
TOTAL REVENUE PROJECTED	49236	52099	52099	52099	61099	134070	134070	134070	134070
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.86	5.06	4.99	4.91	5.65	12.19	11.96	11.72	11.48

METROPOLITAN WASHINGTON AIRPORTS --- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE 05F -- $370 MILLION CONSTRUCTION -- TAXABLE PROJECT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	129500	92500	92500	92500	0	0	0	0
Average Interest Rate	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1250	0.1250	0.1250	0.1250
Years of Capitalized Interest	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate												
Long-Term Reinvestment Rate												
Construction Costs - Net	0	0	0	0	129500	92500	92500	92500	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	7770	24063	38730	55158	0	0	0	0
Costs of Issuance	0	0	0	0	17002	5667	5667	5667	0	0	0	0
NEW BONDS-Sr	0	0	0	0	154272	122230	136897	153325	0	0	0	0
TOTAL BONDS-Sr	0	0	0	0	154272	276502	413399	566724	566724	566724	566724	566724
DEBT SERVICE--NEW BONDS-Sr	0	0	0	0	0	0	0	0	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	0	0	0	0	0	72971	72971	72971	72971

BOND AND DEBT SERVICE ALLOCATION

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Capital Costs - National	0	0	0	0	41000	42500	42500	92500	0	0	0	0
Capital Costs - Dulles	0	0	0	0	88500	50000	50000	0	0	0	0	0
% Capital Costs - National	0.00%	0.00%	0.00%	0.00%	31.66%	45.95%	45.95%	100.00%	0.00%	0.00%	0.00%	0.00%
% Capital Costs - Dulles	0.00%	0.00%	0.00%	0.00%	68.34%	54.05%	54.05%	0.00%	0.00%	0.00%	0.00%	0.00%

JULY 9, 1985 ADDENDUM

TO

THE JUNE 25, 1985 SUPPLEMENTAL REPORT

TO

ADVISORY COMMISSION ON THE REORGANIZATION

OF THE

METROPOLITAN WASHINGTON AIRPORTS

ATTENTION:
HONORABLE A. LINWOOD HOLTON, JR.,
CHAIRMAN

CONCERNING:

CERTAIN FINANCIAL ASPECTS

OF THE

TRANSFER OF DULLES AND NATIONAL AIRPORTS

SUBMITTED BY:

SALOMON BROTHERS INC
WHEAT, FIRST SECURITIES, INC.

JULY 9, 1985

July 9, 1985

Advisory Commission on the Reorganization
of the Metropolitan Washington Airports
U.S. Department of Transportation
400 Seventh St., S.W.
Washington, D.C. 20590

Attn: Honorable A. Linwood Holton, Jr.

TRANSMITTAL LETTER

Subject: July 9, 1985 Addendum to
June 25, 1985 Supplemental Report
Concerning Financial Aspects of the
Transfer of Dulles and National Airports

Dear Governor Holton:

Salomon Brothers Inc and Wheat, First Securities submitted a detailed report to the Commission on November 29, 1984 concerning certain financial aspects of the transfer of Dulles International Airport and Washington National Airport to public ownership by a State, municipal or interstate entity.

On June 25, 1985, we submitted a supplemental report which addressed: (1) increased capital expenditures at both airports from a low of $240 million to a high of $370 million; (2) a review of the Treasury Tax Proposal regarding tax-exempt bond issuance for airports and the financial impact of using taxable financing for improvements; and (3) a purchase price of $84 million for the airports as indicated in Senate Bill S. 1017 and House Bill H.R. 2337 ($37 million at transfer and $47 million paid over 35 years).

This addendum addresses certain considerations raised in the June 26, 1985 Hearing of the Sub-Committee on Aviation of the Committee on Commerce, Science and Transportation of the United States Senate.

Honorable A. Linwood Holton, Jr.
July 9, 1985
Page Two

1. Financial impact of airports' purchase price on total airports' cost.
    a) $47 million as indicated in Senate Bill S. 1017.
    b) $341 million as suggested by Grace Commission as average price.

    Each alternative assumes a $37 million payment at time of transfer.
2. Financial impact of higher potential growth rate at Dulles Airport.
3. Financial impact of capital improvements and purchase price on potential operation of Dulles and National Airports as separate, independent entities.
4. Review of Congressional Budget Office analysis of "federal tax expenditures" and refinements thereto.

This addendum should be considered part of our June 25, 1985 supplement and should be reviewed in conjunction with our November 29, 1984 report to the Commission.

Very truly yours,

Salomon Brothers Inc
Wheat, First Securities, Inc.

By: Salomon Brothers Inc
Gregory P. Dwyer

By: Wheat, First Securities, Inc.
Walter Craigie Jr

TABLE OF CONTENTS

PAGE

FINANCIAL IMPACT OF THE PURCHASE PRICE ON TOTAL AIRPORTS COST 1

FINANCIAL IMPACT OF POTENTIAL HIGHER GROWTH AT DULLES AIRPORT 3

SEPARATE OPERATION OF DULLES AND NATIONAL AIRPORTS 3

SENSITIVITY ANALYSIS 3

ALLOCATION OF COST TO METROPOLITAN WASHINGTON AIRPORTS ON BOTH COMBINED AND INDIVIDUAL BASIS 4

REVIEW OF CBO ASSUMPTIONS AND RESULTS 5

REFINEMENTS TO CBO ANALYSIS 6

EXHIBIT

DETAILED NUMERICAL ANALYSIS OF CASES A

YIELD CURVE CHART ("A" vs. "AAA" TAX-EXEMPT) B

YIELD CURVE CHART ("A" TAX-EXEMPT vs. "A" TAXABLE) B

YIELD PROFILE - WEEKLY DATA (February 1979 to July 1985) B

CONGRESSIONAL BUDGET OFFICE MEMORANDUM DATED JUNE 25, 1985 C

JULY 9, 1985 ADDENDUM
to
THE JUNE 25, 1985 SUPPLEMENTAL REPORT
to
ADVISORY COMMISSION ON THE REORGANIZATION
OF THE
METROPOLITAN WASHINGTON AIRPORTS

This addendum to our June 25, 1985 supplemental report attempts to address several considerations raised in the June 26, 1985 Hearing before the Sub-Committee on Aviation of the Committee on Commerce, Science and Transportation of the United States Senate concerning:

(1) Financial impact of the purchase price on total airports cost;

(2) Financial impact of potential higher growth at Dulles Airport;

(3) Financial impact of capital improvements and purchase price on potential operation of Dulles and National Airports as separate, independent entities.

(4) A sensitivity analysis of the possible blending of fixed rate and variable rate financing resulting in lower overall interest costs on airports financing; and

(5) Review of Congressional Budget Office June 25, 1985 memorandum and analysis of federal tax expenditures regarding tax-exempt debt and refinements thereto.

Financial Impact of the Purchase Price on Total Airports Cost

While our November 29, 1984 report analyzed eighteen different cases, including three different levels of purchase prices ($341 million, $90 million and $70 million as explained in our November 29, 1984 report), and our June 25, 1985 supplement assumed an $84 million purchase price as indicated in S. 1017, we have again re-addressed different levels of purchase prices ($47 million as compared with $341 million suggested as the average purchase price by the Grace Commission) as a result of the discussion relating to an "appropriate" and "equitable" purchase price as such prices relate to certain Maryland interests and value of the basic airport assets.

In comparing these two cases, we have assumed that the $37 million initial payment to fund the unfunded pension liability would be required in both instances. We have also assumed that the purchase price would be paid in the same manner to the Federal Treasury over 35 years. The $47 million purchase price assumes an annual payment of $2.863 million reflecting the imputed interest rate on the remaining unamortized Treasury debt at the Airports, while the $341 purchase price assumes a 10% interest rate in computing the annual installments. Should this purchase price not take the form of annual installments to the Treasury but be paid in one lump sum up front and be financed from bond proceeds, the annual costs would be higher in each case than those reflected in our analysis. We have also assumed the same growth rate assumption for traffic at Dulles Airport as indicated in our November 29, 1984 report and June 25, 1985 Supplement. The results of this analysis are summarized below:

	Case 1 (a) $240 M Improvement Financed @ 10% $47 M Purchase Price $37 M Million Pension Payment Standard Growth Assumption			Case 3 (a) $240 M Improvement Financed @ 10% $341 M Purchase Prico $37 M Pension Payment Standard Growth Assumption		
	Combined Airports	Separate Airports		Combined Airports	Separate Airports	
		National	Dulles		National	Dulles
Landing Fees/per 1,000 lbs.	$ 1.25	$ .47	$ 2.88	$ 2.00	$ 1.02	$ 4.00
Terminal Rental Charges per sq. ft	$32.34	$22.13	$38.14	$51.02	$48.20	$52.93
Total Cost per enplaned passenger	$9.00	$5.35	$18.73	$11.95	$ 7.38	$24.14

(a) Cases further described herein.

Financial Impact of Potential Higher Growth at Dulles Airport

In our June 25, 1985 Supplement, which reflects a larger mid-field terminal building at Dulles than was assumed in our November 29, 1984 report (24 gates and 360,000 square feet of rental space vs. 12 gates and 180,000 square feet of additional terminal rental space), we utilized the same passenger growth rate assumption as in the November 29, 1984 report (4,000,000 passengers in 1985 escalating at 7% thereafter). For this analysis we have also used a higher potential growth rate in passenger traffic at Dulles using a base of 4,500,000 passengers in 1985 escalating at 12% per annum until 1991 and at 7% thereafter. These results are summarized in Case 2 in the table comparing all of the cases herein on page 4.

Separate Operation of Dulles and National Airports

As a result of questions and comments at the June 26, 1985 Hearing, concerning the separate operation of Dulles and National Airports and the financial impact of the proposed level of capital improvements and purchase prices as such relate to landing fees, terminal rental charges and cost per enplaned passenger, we have again allocated such costs to each airport (pro rata regarding debt necessary to finance improvements at each airport and 50% each regarding the purchase price). These results are also summarized in the table herein for all four cases.

Sensitivity Analysis

Using various financing techniques to reduce interest costs as indicated in our November 29, 1984 report, the use of credit enhancements, including bond insurance and bank letters of credit, together with the use of variable bond rate financing could have a favorable impact on reducing the overall interest cost of financing required for capital improvements and other purposes. We have also analyzed a blend of fixed rate bond financing and variable rate financing together with certain credit enhancements which might arrive at an overall blended interest cost of 8% (50% of all bonds at a fixed rate of 10% and 50% of all bonds at a variable rate of 6%). This appears as Case 4 in the summary on page 4 and in the detailed analysis in Exhibit A and the interest rates assumed are supported by the tax-exempt yield curve chart in Exhibit B.

Allocation of Cost to Metropolitan-Washington Airports on Both Combined and Individual Basis

	Case 1 (MWA85A) (1) $240 M Improvement Financed @ 10% $47 M Purchase Price $37 M Million Pension Payment Standard Growth Assumption			Case 2 (MWA85AR) (1) $240 M Improvement Financed @ 10% $47 M Purchase Price $37 M Pension Payment Higher Growth Assumed at Dulles			Case 3 (MWA85341) (1) $240 M Improvement Financed @ 10% $341 M Purchase Price $37 M Pension Payment Standard Growth Assumption			Case 4 (MWA85A8) (1) (2) $240 M Improvement Financed @ 8% $47 M Purchase Price $37 M Million Pension Payment Standard Growth Assumption		
	Combined Airports	Separate Airports		Combined Airports	Separate Airports		Combined Airports	Separate Airports		Combined Airports	Separate Airports	
		National	Dulles		National	Dulles		National	Dulles		National	Dulles
Landing Fees/per 1,000 lbs.	$ 1.26	$ .47	$ 2.88	$ 1.14	$ .47	$ 2.42	$ 2.00	$ 1.02	$ 4.00	$ 1.07	$ .35	$ 2.53
Terminal Rental Charges per sq. ft	$32.34	$22.13	$38.14	$29.69	$22.13	$33.97	$51.02	$46.20	$52.93	$27.39	$16.54	$33.55
Total Cost per enplaned passenger	$ 9.00	$ 5.35	$18.73	$ 7.96	$ 5.35	$12.66	$11.95	$ 7.38	$24.14	$ 8.22	$ 4.91	$17.05

(1) Cases further described in memorandum of Wheat, First Securities and Salomon Brothers Inc.

(2) Case 4 financed at an assumed average rate of 8%, composed of one-half 10% fixed rate bonds and one-half 6% variable rate bonds.

CONGRESSIONAL BUDGET OFFICE MEMORANDUM DATED JUNE 25, 1985 TO THE SENATE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION

CBO Analysis of Federal Tax Expenditures Concerning Tax-Exempt Bonds to Finance MWA Improvements

Review of CBO Assumptions and Results

The CBO memorandum included herein as Exhibit C makes several key assumptions in arriving at the "federal tax expenditures" regarding the issuance of tax-exempt bonds for the proposed improvements by MWA at Dulles and National Airports. These assumptions include:

Construction Drawdown Schedule	-	Over five years according to "historical spending rates".
Bond Issuance	-	Two issues in years 1 and 3.
Bond Maturity	-	20 Years.
Bond Amortization (repayment of principal)	-	None, entire principal paid at maturity.
Bond Issue Size	-	$370 million - to pay $250 million construction, interest during construction, debt service reserve and issuance costs.
CBO Interest Rate	-	11.30% as 1985 base line rate in computing equivalent taxable interest on tax-exempt bonds.
Marginal Tax Rate	-	30% for taxable bond buyers.
Present Value Discount Rate	-	10%, computed as if cash expenditures for construction or receipt of federal taxes on interest on bonds occurs on the first day of each year.

The results of CBO's detailed analysis are outlined below:

(Dollars in Millions)

	Construction Outlays	Interest During Construction	Construction Outlays Plus Interest	Federal Tax Expenditures
Gross	$250.0	$77.3	$327.3	$250.3
Net Present Value	$221.2	$61.2	$282.4	$108.1

CBO's results indicate that on a gross cash outlay basis (assuming interest during construction and construction cost expenditures are financed by the Treasury) total $327.3 million compared with total gross tax expenditures of $250.3 million. The net present value cost to the Treasury of $282.4 million also greatly exceeds a net present value of federal tax expenditures of $108.1 million. If the actual average Treasury borrowing rate were utilized, both gross costs and net present value costs to the Treasury would be even greater.

Refinements to CBO Analysis

We have attempted to utilize the majority of CBO's assumptions, making only such refinements as are appropriate to the issuance of bonds in the tax-exempt market, construction drawdown schedule and method of present value calculations. These refinements are:

1. Construction Drawdown - Occurs over four years in amounts estimated by MWA to complete the specific proposed improvements, with interest on bonds capitalized during construction (all as shown in the June 25, 1985 Supplement and in Exhibit A hereto).

2. Bond Amortization (repayment) - Bond principal is repaid annually over 20 years, following the 4 year period of capitalized interest, in amounts which, when added to interest payable annually, result in level annual debt service (similar to a fixed rate home mortgage payment).

3. Present Value Method of Calculation - Since tax-exempt municipal bonds pay interest semi-annually in arrears, we have computed present value on the basis of such interest and federal tax expenditures (or tax receipts) flowing when interest is actually paid at the end of the sixth month and 12th month of each year, not on the first day of each year. The results of refining the CBO analysis are summarized below and appear in detail in the following Table 1.

	Federal Tax Expenditures (Dollars in Millions)	
	CBO Calculation (No Principal Amortizations)	Refined Calculation (Annual Principal Amortizations)
Present Value - CBO Method	$108.0	$96.8
Present Value - Refined Method to Cash Payment (or receipt) date	-	$90.1

Therefore, the annual amortization of principal results in a reduction in federal tax expenditures of some $11.2 million, using CBO's method of present value calculation, or some $17.9 million when using a refined method of computing present value to the actual cash payment dates on bonds (or receipt of taxes).

The above analysis attempted to use as many of the CBO assumptions as possible in order to make a fair comparison of the CBO analysis with the three refinements stated above. In actual fact, the final maturity for airport revenue bonds will range from 30 to 35 years and for all of the Cases analyzed herein, and the two previous reports, 30 years of principal amortization have been assumed following completion of the improvements at the respective airports with resulting final maturities calculated from the date of bond issuance ranging from 31 to 34 years.

Table 2 shows the principal, interest and total debt service requirements for Case 1 herein - $240 million of construction costs using tax-exempt financing at a 10% interest rate. It also shows the federal tax expenditures utilizing the CBO taxable equivalent rate of 11.30%.

Table 3 shows, for the same Case of $240 million of construction costs, the impact of using taxable revenue bond financing at the rate of 12% on taxable debt. This Table also shows the federal tax income relating to such taxable debt. The results of these two tables are summarized in the following table:

	Total Bonds	Total Interest	Total Debt/Service	Federal Tax Expenditure (Income)	Present Value Federal Tax Expenditure (Income)
			(Dollars in Millions)		
Tax-Exempt Financing	$396.9	$ 978.2	$1,375.1	$331.6	$108.3
Taxable Financing	$462.0	$1,419.1	$1,881.1	($400.9)	($128.8)
	======	========	=======	======	========
Difference	$ 65.1	$ 440.9	$ 506.0	$ 69.3	($ 20.5)

The above Table shows that for a net federal income gain of $69.3 million, the airport users and passengers must pay an additional $506 million in charges over the 30 year life of the debt.

The net present value income to the Treasury of $128.8 million assumes the 30% marginal tax rate stated earlier. This amount may be overstated since the majority of taxable bond purchasers are in lower marginal tax brackets than 30% (pension funds, life insurance companies, certain foreign investors and others) and thus this potential income advantage warrants extensive further analysis.

TABLE 1

COMPARISON OF CBO AIRPORT FINANCING ANALYSIS WITH ACTUAL METHOD
OF AMORTIZING MUNICIPAL BONDS USING CBO'S 20 YEAR MATURITY AND 11.30% RATE

FISCAL YEAR	BOND ISSUE PRINCIPAL REPAID	INTEREST	TOTAL DEBT SERVICE	FED. TAX EXPENDITURES (INTEREST*.3)	TAX EXPEND.- INTEREST AT CBO RATE OF 0.1130	CUMULATIVE PRINCIPAL	CBO CALCULATION
1986	0	17,598,168	17,598,168	5,279,450	5,279,450	155,736,000	6,900,000
1987	0	27,654,264	27,654,264	8,296,279	8,296,279	244,728,000	6,900,000
1988	0	36,453,348	36,453,348	10,936,004	10,936,004	322,596,000	12,500,000
1989	0	41,899,835	41,899,835	12,569,951	12,569,951	370,795,000	12,500,000
1990	5,580,000	41,899,835	47,479,835	12,569,951	12,569,951	370,795,000	12,500,000
1991	6,210,000	41,269,295	47,479,295	12,380,789	12,380,789	365,215,000	12,500,000
1992	6,910,000	40,567,565	47,477,565	12,170,270	12,170,270	359,005,000	12,500,000
1993	7,695,000	39,786,735	47,481,735	11,936,021	11,936,021	352,095,000	12,500,000
1994	8,560,000	38,917,200	47,477,200	11,675,160	11,675,160	344,400,000	12,500,000
1995	9,530,000	37,949,920	47,479,920	11,384,976	11,384,976	335,840,000	12,500,000
1996	10,605,000	36,873,030	47,478,030	11,061,909	11,061,909	326,310,000	12,500,000
1997	11,805,000	35,674,665	47,479,665	10,702,400	10,702,400	315,705,000	12,500,000
1998	13,140,000	34,340,700	47,480,700	10,302,210	10,302,210	303,900,000	12,500,000
1999	14,625,000	32,855,880	47,480,880	9,856,764	9,856,764	290,760,000	12,500,000
2000	16,275,000	31,203,255	47,478,255	9,360,977	9,360,977	276,135,000	12,500,000
2001	18,115,000	29,364,180	47,479,180	8,809,254	8,809,254	259,860,000	12,500,000
2002	20,165,000	27,317,185	47,482,185	8,195,156	8,195,156	241,745,000	12,500,000
2003	22,440,000	25,038,540	47,478,540	7,511,562	7,511,562	221,580,000	12,500,000
2004	24,975,000	22,502,820	47,477,820	6,750,846	6,750,846	199,140,000	12,500,000
2005	27,800,000	19,680,645	47,480,645	5,904,194	5,904,194	174,165,000	12,500,000
2006	30,940,000	16,539,245	47,479,245	4,961,774	4,961,774	146,365,000	5,600,000
2007	34,435,000	13,043,025	47,478,025	3,912,908	3,912,908	115,425,000	5,600,000
2008	38,330,000	9,151,870	47,481,870	2,745,561	2,745,561	80,990,000	0
2009	42,660,000	4,820,580	47,480,580	1,446,174	1,446,174	42,660,000	0
TOTALS	370,795,000	702,401,785	1,073,196,785	210,720,536	210,720,536		250,000,000
			PRESENT VAL-CBO	96,788,143	96,788,143		107,959,728
			P.V. RATE	0.1000	0.1000		0.1000
			PRESENT VAL-GAL	90,109,761	90,109,761		100,310,506
			P.V. RATE	0.1000	0.1000		0.1000

ANALYSIS OF FEDERAL TAX EXPENDITURES FOR CASE 1 - $240 MILLION
OF CONSTRUCTION COSTS USING TAX-EXEMPT BOND FINANCING

TABLE 2

FISCAL YEAR	BOND ISSUE PRINCIPAL REPAID	INTEREST	TOTAL DEBT SERVICE	FED. TAX EXPENDITURES (INTEREST*.3)	TAX EXPEND.-INTEREST AT CBO RATE OF 0.1130	CUMULATIVE PRINCIPAL
1986	0	15,662,400	15,662,400	4,698,720	5,309,554	156,624,000
1987	0	24,426,300	24,426,300	7,327,890	8,280,516	244,623,000
1988	0	32,298,900	32,298,900	9,689,670	10,949,327	322,989,000
1989	0	39,690,600	39,690,600	11,907,180	13,455,113	396,906,000
1990	2,415,000	39,690,500	42,105,500	11,907,150	13,455,080	396,905,000
1991	2,655,000	39,449,000	42,104,000	11,834,700	13,373,211	394,490,000
1992	2,920,000	39,183,500	42,103,500	11,755,050	13,283,207	391,835,000
1993	3,210,000	38,891,500	42,101,500	11,667,450	13,184,219	388,915,000
1994	3,535,000	38,570,500	42,105,500	11,571,150	13,075,400	385,705,000
1995	3,885,000	38,217,000	42,102,000	11,465,100	12,955,563	382,170,000
1996	4,275,000	37,828,500	42,103,500	11,348,550	12,823,862	378,285,000
1997	4,700,000	37,401,000	42,101,000	11,220,300	12,678,939	374,010,000
1998	5,170,000	36,931,000	42,101,000	11,079,300	12,519,609	369,310,000
1999	5,690,000	36,414,000	42,104,000	10,924,200	12,344,346	364,140,000
2000	6,260,000	35,845,000	42,105,000	10,753,500	12,151,455	358,450,000
2001	6,885,000	35,219,000	42,104,000	10,565,700	11,939,241	352,190,000
2002	7,575,000	34,530,500	42,105,500	10,359,150	11,705,840	345,305,000
2003	8,330,000	33,773,000	42,103,000	10,131,900	11,449,047	337,730,000
2004	9,165,000	32,940,000	42,105,000	9,882,000	11,166,660	329,400,000
2005	10,080,000	32,023,500	42,103,500	9,607,050	10,855,967	320,235,000
2006	11,085,000	31,015,500	42,100,500	9,304,650	10,514,255	310,155,000
2007	12,195,000	29,907,000	42,102,000	8,972,100	10,138,473	299,070,000
2008	13,415,000	28,687,500	42,102,500	8,606,250	9,725,063	286,875,000
2009	14,755,000	27,346,000	42,101,000	8,203,800	9,270,294	273,460,000
2010	16,235,000	25,870,500	42,105,500	7,761,150	8,770,100	258,705,000
2011	17,855,000	24,247,000	42,102,000	7,274,100	8,219,733	242,470,000
2012	19,640,000	22,461,500	42,101,500	6,738,450	7,614,449	224,615,000
2013	21,605,000	20,497,500	42,102,500	6,149,250	6,948,653	204,975,000
2014	23,765,000	18,337,000	42,102,000	5,501,100	6,216,243	183,370,000
2015	26,145,000	15,960,500	42,105,500	4,788,150	5,410,610	159,605,000
2016	28,755,000	13,346,000	42,101,000	4,003,800	4,524,294	133,460,000
2017	31,635,000	10,470,500	42,105,500	3,141,150	3,549,500	104,705,000
2018	34,795,000	7,307,000	42,102,000	2,192,100	2,477,073	73,070,000
2019	38,275,000	3,827,500	42,102,500	1,148,250	1,297,523	38,275,000
TOTALS	396,905,000	978,266,700	1,375,171,700	293,480,010	331,632,411	
			PRESENT VAL-CBO	102,941,826	116,324,263	
			P.V. RATE	0.1000	0.1000	
			PRESENT VAL-SAL	95,832,140	108,297,889	
			P.V. RATE	0.1000	0.1000	

Tax-Exempt Interest Assumed at 10%

TABLE 3

ANALYSIS OF FEDERAL TAX EXPENDITURES FOR CASE 85B - $240 MILLION
OF CONSTRUCTION COSTS USING TAXABLE REVENUE BOND FINANCING

FISCAL YEAR	BOND ISSUE PRINCIPAL REPAID	INTEREST	TOTAL DEBT SERVICE	FED. TAX EXPENDITURES (INTEREST*.3)	TAX EXPEND.- INTEREST AT CBO RATE OF 0.1130	CUMULATIVE PRINCIPAL
1986	0	23,219,880	23,219,880	6,965,964	6,559,616	193,499,000
1987	0	35,514,360	35,514,360	10,654,308	10,032,807	295,953,000
1988	0	46,154,640	46,154,640	13,846,392	13,038,686	384,622,000
1989	0	55,446,000	55,446,000	16,633,800	15,663,292	462,044,000
1990	1,915,000	55,446,000	57,361,000	16,633,800	15,663,495	462,050,000
1991	2,145,000	55,216,200	57,361,200	16,564,860	15,598,577	460,135,000
1992	2,400,000	54,958,800	57,358,800	16,487,640	15,525,861	457,990,000
1993	2,690,000	54,670,800	57,360,800	16,401,240	15,444,501	455,590,000
1994	3,015,000	54,348,000	57,363,000	16,304,400	15,353,310	452,900,000
1995	3,375,000	53,986,200	57,361,200	16,195,860	15,251,102	449,885,000
1996	3,780,000	53,581,200	57,361,200	16,074,360	15,136,689	446,510,000
1997	4,230,000	53,127,600	57,357,600	15,938,280	15,008,347	442,730,000
1998	4,740,000	52,620,000	57,360,000	15,786,000	14,865,150	438,500,000
1999	5,310,000	52,051,200	57,361,200	15,615,360	14,704,464	433,760,000
2000	5,945,000	51,414,000	57,359,000	15,424,200	14,524,455	428,450,000
2001	6,660,000	50,700,600	57,360,600	15,210,180	14,322,920	422,505,000
2002	7,460,000	49,901,400	57,361,400	14,970,420	14,097,146	415,845,000
2003	8,355,000	49,006,200	57,361,200	14,701,860	13,844,252	408,385,000
2004	9,355,000	48,003,600	57,358,600	14,401,080	13,561,017	400,030,000
2005	10,480,000	46,881,000	57,361,000	14,064,300	13,243,883	390,675,000
2006	11,735,000	45,623,400	57,358,400	13,687,020	12,888,611	380,195,000
2007	13,145,000	44,215,200	57,360,200	13,264,560	12,490,794	368,460,000
2008	14,725,000	42,637,800	57,362,800	12,791,340	12,045,179	355,315,000
2009	16,490,000	40,870,800	57,360,800	12,261,240	11,546,001	340,590,000
2010	18,470,000	38,892,000	57,362,000	11,667,600	10,986,990	324,100,000
2011	20,685,000	36,675,600	57,360,600	11,002,680	10,360,857	305,630,000
2012	23,165,000	34,193,400	57,358,400	10,258,020	9,659,636	284,945,000
2013	25,945,000	31,413,600	57,358,600	9,424,080	8,874,342	261,780,000
2014	29,060,000	28,300,200	57,360,200	8,490,060	7,994,807	235,835,000
2015	32,550,000	24,813,000	57,363,000	7,443,900	7,009,673	206,775,000
2016	36,455,000	20,907,000	57,362,000	6,272,100	5,906,228	174,225,000
2017	40,830,000	16,532,400	57,362,400	4,959,720	4,670,403	137,770,000
2018	45,725,000	11,632,800	57,357,800	3,489,840	3,286,266	96,940,000
2019	51,215,000	6,145,800	57,360,800	1,843,740	1,736,189	51,215,000
TOTALS	462,050,000	1,419,100,680	1,881,150,680	425,730,204	400,895,739	
			PRESENT VAL-CBO	147,000,643	138,425,453	
			P.V. RATE	0.1000	0.1000	
			PRESENT VAL-SAL	136,857,599	128,874,096	
			P.V. RATE	0.1000	0.1000	

The above Case 85B is detailed in the June 25, 1985 Supplemental Report.
Taxable Bond Interest Assumed at 12%.

EXHIBIT A CASE 1

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE [illegible] -- $240 MILLION CONSTRUCTION -- TAX-EXEMPT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	9000	9000	9000	9000	9000
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	46236	46236	46236	46236	46236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior R.B.-NATIONAL	0	0	0	0	0	17348	17348	17348	17348
Senior R.B.-DULLES	0	0	0	0	24755	24755	24755	24755	24755
Senior Lien D.S.or Lease Pymts. (Paid to FAA)	0	2863	2863	2863	2863	2863	2863	2863	2863
Total Debt Service	0	2863	2863	2863	27618	44966	44966	44966	44966
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	2863	2863	2863	33807	55492	55492	55492	55492
Less D.S. Res. Fund Earnings:									
Senior - NATIONAL	0	0	0	0	0	1735	1735	1735	1735
Senior - DULLES	0	0	0	0	2476	2476	2476	2476	2476
Junior Lien	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	2476	4210	4210	4210	4210
Net Revenue Required for Debt Service	0	2863	2863	2863	31332	51282	51282	51282	51282
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	6189	10526	10526	10526	10526
Net Revenue Required for Cash Payment	12000	12000	12000	12000	5811	1474	1474	1474	1474
TOTAL REVENUE REQUIRED	49236	52099	52099	52099	83379	98992	98992	98992	98992
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	513	513	513	513	513
Total Square Feet	444	444	444	444	804	804	804	804	804
Implied $ Fee Per Square Ft.	10.82	13.33	12.80	12.22	23.64	32.34	31.96	31.54	31.10
Total Rental Fees	4805	5919	5681	5426	19005	26005	25693	25359	25002
LANDING FEES:									
Projected Lbs. (millions)	18000	19320	20286	21300	22343	23404	24638	25891	27185
Implied Landing Fees	0.30	0.35	0.32	0.29	0.97	1.26	1.19	1.12	1.05
Total Landing Fees	5484	6756	6484	6193	21691	29680	29324	28943	28535
OTHER FEES:	6702	6702	6702	6702	8322	8322	8322	8322	8322
TOTAL REVENUE PROJECTED	49236	52099	52099	52099	83379	98992	98992	98992	98992
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.86	5.06	4.99	4.91	7.72	9.00	8.83	8.66	8.[illegible]

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

CASE 2

ESTIMATED REVENUE REQUIREMENTS -- SUMMARY REPORT -- CASE [illegible] -- $640 MILLION CONSTRUCTION -- TAX-EXEMPT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30		1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS										
REVENUE REQUIRED FOR OPERATING EXPENSES:										
Operating Expenses for Existing Facilities		37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie		0	0	0	0	9000	9000	9000	9000	9000
Total Revenue Required for Op. Exp	1.20	37236	37236	37236	37236	46236	46236	46236	46236	46236
REVENUE REQUIRED FOR DEBT SERVICE:										
Senior R.B.-NATIONAL		0	0	0	0	0	17348	17348	17348	17348
Senior R.B.-DULLES		0	0	0	0	24735	24735	24735	24735	24735
Senior Lien R.B.or Lease Pymts. (Paid to FAA)		0	2883	2883	2883	2883	2883	2883	2883	2883
Total Debt Service		0	2883	2883	2883	27618	44966	44966	44966	44966
Coverage Ratio		1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt		0	2883	2883	2883	33807	55492	55492	55492	55492
Less R.B. Res. Fund Earnings:										
Senior - NATIONAL		0	0	0	0	0	1735	1735	1735	1735
Senior - DULLES		0	0	0	0	2476	2476	2476	2476	2476
Junior Lien		0	0	0	0	0	0	0	0	0
Total Earnings		0	0	0	0	2476	4210	4210	4210	4210
Net Revenue Required for Debt Service		0	2883	2883	2883	31332	51282	51282	51282	51282
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)										
Annual Cash Required		12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage		0	0	0	0	6189	10526	10526	10526	10526
Net Revenue Required for Cash Payment		12000	12000	12000	12000	5811	1474	1474	1474	1474
TOTAL REVENUE REQUIRED		49236	52119	52119	52119	83379	98992	98992	98992	98992
REVENUE SOURCES										
CONCESSION REVENUE:										
Passengers - National		16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles		5000	5648	6322	7001	7731	8882	9584	10169	10881
Total Passengers		21000	21648	22322	23001	23731	24882	25584	26169	26881
Per Capita Concession Revenue (National and Dulles)		1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue		33404	34413	35492	36599	37749	39563	40681	41609	42741
RENTAL FEES:										
Square Feet - National		291	291	291	291	291	291	291	291	291
Square Feet - Dulles		153	153	153	153	513	513	513	513	513
Total Square Feet		444	444	444	444	804	804	804	804	804
Implied $ Fee Per Square Ft.		9.55	11.55	10.42	9.15	22.30	28.69	30.11	28.50	27.84
Total Rental Fees		4240	5128	4625	4062	17702	23067	24208	22911	22383
LANDING FEES:										
Projected Lbs. (millions)		18780	19718	20704	21740	22827	23968	25166	26425	27746
Implied Landing Fees		0.26	0.30	0.25	0.21	0.86	1.14	1.06	0.99	0.92
Total Landing Fees		4890	5876	5279	4636	19725	27280	26713	26149	25546
OTHER FEES:		6702	6702	6702	6702	8322	8322	8322	8322	8322
TOTAL REVENUE PROJECTED		49236	52119	52119	52119	83379	98992	98992	98992	98992
SURPLUS REVENUE		0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER		4.68	4.81	4.67	4.51	6.97	7.96	7.76	7.57	7.37

METROPOLITAN WASHINGTON AIRPORTS — ANALYSIS OF TRANSFER TO NEW ENTITY

CASE 3

ESTIMATED REVENUE REQUIREMENTS — SUMMARY REPORT — CASE [illegible] — $240 MILLION CONSTRUCTION — TAX-EXEMPT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	9000	9000	9000	9000	9000
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	46236	46236	46236	46236	46236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S.-NATIONAL	0	0	0	0	0	17348	17348	17348	17348
Senior D.S.-DULLES	0	0	0	0	24755	24755	24755	24755	24755
Senior Lien D.S.or Lease Pymts. (Paid to FAA)	0	35358	35358	35358	35258	35358	35358	35358	35358
Total Debt Service	0	35358	35358	35358	60013	77461	77461	77461	77461
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	35358	35358	35358	66302	87987	87987	87987	87987
Less D.S. Res. Fund Earnings:									
Senior - NATIONAL	0	0	0	0	0	1735	1735	1735	1735
Senior - DULLES	0	0	0	0	2476	2476	2476	2476	2476
Junior Lien	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	2476	4210	4210	4210	4210
Net Revenue Required for Debt Service	0	35358	35358	35358	63827	83777	83777	83777	83777
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	6189	10526	10526	10526	10526
Net Revenue Required for Cash Payment	12000	12000	12000	12000	5811	1474	1474	1474	1474
TOTAL REVENUE REQUIRED	49236	84594	84594	84594	115874	131487	131487	131487	131487
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4200	4500	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20200	20500	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32243	32722	33231	33777	34360	34985	35603	36360	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	153	153	153	153	513	513	513	513	513
Total Square Feet	444	444	444	444	804	804	804	804	804
Implied $ Fee Per Square Ft.	14.82	47.31	46.97	46.40	42.51	51.22	50.83	50.42	49.97
Total Rental Fees	6580	21006	20856	20602	34180	41180	40868	40534	40177
LANDING FEES:									
Projected Lbs. (millions)	18000	19520	20286	21130	22348	23484	24628	25891	27180
Implied Landing Fees	0.30	1.23	1.17	1.10	1.74	2.00	1.89	1.79	1.69
Total Landing Fees	5400	24076	23804	23313	39041	47000	46644	46263	46085
OTHER FEES:	6702	6702	6702	6702	8322	8322	8322	8322	8322
TOTAL REVENUE PROJECTED	49236	84594	84594	84594	115874	131487	131487	131487	131487
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.87	8.25	8.10	7.96	10.72	11.95	11.73	11.50	11.26

CASE 1,2,3

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE [illegible] MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE [illegible] -- $240 MILLION CONSTRUCTION -- TAX-EXEMPT FINANCING

NATIONAL AIRPORT

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	18500	20000	20000	60000	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	0	17760	19200	19200	57600	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	2294	2436	2402	7128	0	0	0	0
Capitalized Interest - Net	0	0	0	0	10659	8011	4972	6971	0	0	0	0
Costs of Issuance	0	0	0	0	950	917	822	2217	0	0	0	0
NEW BONDS-Sr	0	0	0	0	31663	30564	27396	73916	0	0	0	0
TOTAL BONDS-Sr	0	0	0	0	31663	62227	89623	163539	163539	163539	163539	163539
DEBT SERVICE--NEW BONDS-Sr	0	0	0	0	3339	3242	2906	7841	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	0	3339	6601	9507	17348	17348	17348	17348	17348

CASE 1,2,3

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE [illegible] -- $200 MILLION CONSTRUCTION -- TAX-EXEMPT FINANCING

DULLES AIRPORT

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	78500	60000	60000	0	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest	0.0	0.0	0.0	0.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	0	78500	60000	60000	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	9959	5004	4950	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	32753	10339	4841	0	0	0	0	0
Costs of Issuance	0	0	0	0	3709	1712	1540	0	0	0	0	0
NEW BONDS-Gr	0	0	0	0	129961	57075	51331	0	0	0	0	0
TOTAL BONDS-Gr	0	0	0	0	129961	182036	233367	233367	233367	233367	233367	233367
DEBT SERVICE--NEW BONDS-Gr	0	0	0	0	13256	6054	5445	0	0	0	0	0
AGGREGATE DEBT SERVICE-Gr	0	0	0	0	13256	19310	24755	24755	24755	24755	24755	24755

CASE 1,2,3

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE MWAA5A -- $240 MILLION CONSTRUCTION -- TAX-EXEMPT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	97000	60000	60000	60000	0	0	0	0
Average Interest Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Years of Capitalized Interest												
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Amt	0	0	0	0	96260	59200	59200	57600	0	0	0	0
Debt Service Reserve Fund - Amt	0	0	0	0	12253	7440	7352	7128	0	0	0	0
Capitalized Interest - Amt	0	0	0	0	43412	18370	9813	6971	0	0	0	0
Costs of Issuance	0	0	0	0	4699	2629	2362	2217	0	0	0	0
NEW BONDS-Gr	0	0	0	0	156624	87639	78727	73916	0	0	0	0
TOTAL BONDS-Gr	0	0	0	0	156624	244263	322990	396906	396906	396906	396906	396906
DEBT SERVICE--NEW BONDS-Gr	0	0	0	0	16615	9297	8351	7841	0	0	0	0
AGGREGATE DEBT SERVICE-Gr	0	0	0	0	16615	25911	34262	42103	42103	42103	42103	42103

METROPOLITAN WASHINGTON AIRPORTS — ANALYSIS OF TRANSFER TO NEW ENTITY

CASE 4

ESTIMATED REVENUE REQUIREMENTS — SUMMARY REPORT — CASE [illegible] — $240 MILLION CONSTRUCTION — TAX-EXEMPT FINANCING

NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1986	1987	1988	1989	1990	1991	1992	1993	1994
REVENUE REQUIREMENTS									
REVENUE REQUIRED FOR OPERATING EXPENSES:									
Operating Expenses for Existing Facilities	37236	37236	37236	37236	37236	37236	37236	37236	37236
Additional Operating Expense for New Facilitie	0	0	0	0	9000	9000	9000	9000	9000
Total Revenue Required for Op. Exp 1.00	37236	37236	37236	37236	46236	46236	46236	46236	46236
REVENUE REQUIRED FOR DEBT SERVICE:									
Senior D.S.-NATIONAL	0	0	0	0	0	13481	13481	13481	13481
Senior D.S.-DULLES	0	0	0	0	19148	19148	19148	19148	19148
Senior Lien D.S.or Lease Pymts. (Paid to FAA)	0	2863	2863	2863	2863	2863	2863	2863	2863
Total Debt Service	0	2863	2863	2863	22011	35492	35492	35492	35492
Coverage Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Gross Revenue Required To Cover Debt	0	2863	2863	2863	26798	43649	43649	43649	43649
Less D.S. Res. Fund Earnings:									
Senior - NATIONAL	0	0	0	0	0	1348	1348	1348	1348
Senior - DULLES	0	0	0	0	1915	1915	1915	1915	1915
Junior Lien	0	0	0	0	0	0	0	0	0
Total Earnings	0	0	0	0	1915	3263	3263	3263	3263
Net Revenue Required for Debt Service	0	2863	2863	2863	24884	40386	40386	40386	40386
REVENUE REQUIRED FOR CASH PAYMENT (Annual Renewal & Replacement Costs)									
Annual Cash Required	12000	12000	12000	12000	12000	12000	12000	12000	12000
Less Revenue Available from Debt Coverage	0	0	0	0	4787	8157	8157	8157	8157
Net Revenue Required for Cash Payment	12000	12000	12000	12000	7213	3843	3843	3843	3843
TOTAL REVENUE REQUIRED	49236	52099	52099	52099	78332	90465	90465	90465	90465
REVENUE SOURCES									
CONCESSION REVENUE:									
Passengers - National	16000	16000	16000	16000	16000	16000	16000	16000	16000
Passengers - Dulles	4280	4580	4900	5243	5610	6003	6423	6873	7354
Total Passengers	20280	20580	20900	21243	21610	22003	22423	22873	23354
Per Capita Concession Revenue (National and Dulles)	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Projected Concession Revenue	32245	32722	33231	33777	34360	34985	35653	36368	37133
RENTAL FEES:									
Square Feet - National	291	291	291	291	291	291	291	291	291
Square Feet - Dulles	155	155	155	155	513	513	513	513	513
Total Square Feet	446	446	446	446	804	804	804	804	804
Implied $ Fee Per Square Ft.	10.82	13.33	12.00	13.22	20.71	27.39	27.00	26.59	26.14
Total Rental Fees	4885	5949	5681	5426	16648	22023	21711	21377	21020
LANDING FEES:									
Projected Lbs. (millions)	18000	19320	20206	21390	22363	23404	24650	25991	27108
Implied Landing Fees	0.30	0.35	0.32	0.29	0.85	1.07	1.00	0.94	0.88
Total Landing Fees	5404	6726	6484	6193	19002	25135	24779	24398	23990
OTHER FEES:	6702	6702	6702	6702	8322	8322	8322	8322	8322
TOTAL REVENUE PROJECTED	49236	52099	52099	52099	78332	90465	90465	90465	90465
SURPLUS REVENUE	0	0	0	0	0	0	0	0	0
COST PER ENPLANED PASSENGER	4.86	5.06	4.99	4.91	7.25	8.22	8.07	7.91	7.75

CASE 4

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE [illegible] -- $240 MILLION CONSTRUCTION -- TAX-EXEMPT FINANCING

NATIONAL AIRPORT

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	18500	20000	20000	60000	0	0	0	0
Average Interest Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Years of Capitalized Interest	0.0	0.0	0.0	0.0	4.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	0	17760	19200	19200	57600	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	1684	1847	1876	5716	0	0	0	0
Capitalized Interest - Net	0	0	0	0	7473	5805	3710	5340	0	0	0	0
Costs of Issuance	0	0	0	0	832	830	767	2123	0	0	0	0
NEW BONDS-Gr	0	0	0	0	27749	27683	25553	70779	0	0	0	0
TOTAL BONDS-Gr	0	0	0	0	27749	55432	80984	151763	151763	151763	151763	151763
DEBT SERVICE--NEW BONDS-Gr	0	0	0	0	2465	2459	2270	6287	0	0	0	0
AGGREGATE DEBT SERVICE-Gr	0	0	0	0	2465	4924	7194	13481	13481	13481	13481	13481

CASE 4

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE [illegible] -- $240 MILLION CONSTRUCTION -- TAX-EXEMPT FINANCING

DULLES AIRPORT

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	78500	40000	40000	0	0	0	0	0
Average Interest Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Years of Capitalized Interest	0.0	0.0	0.0	0.0	3.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Net	0	0	0	0	78500	40000	40000	0	0	0	0	0
Debt Service Reserve Fund - Net	0	0	0	0	7553	3908	3969	0	0	0	0	0
Capitalized Interest - Net	0	0	0	0	23732	7729	3708	0	0	0	0	0
Costs of Issuance	0	0	0	0	3395	1597	1475	0	0	0	0	0
NEW BONDS-Yr	0	0	0	0	113181	53234	49152	0	0	0	0	0
TOTAL BONDS-Yr	0	0	0	0	113181	166416	215568	215568	215568	215568	215568	215568
DEBT SERVICE--NEW BONDS-Yr	0	0	0	0	10054	4729	4366	0	0	0	0	0
AGGREGATE DEBT SERVICE-Yr	0	0	0	0	10054	14782	19148	19148	19148	19148	19148	19148

CASE 4

METROPOLITAN WASHINGTON AIRPORTS -- ANALYSIS OF TRANSFER TO NEW ENTITY

BOND ISSUE SIZING MODEL --- SUMMARY REPORT -- SENIOR BONDS -- CASE [illegible] -- [illegible] MILLION CONSTRUCTION -- TAX-EXEMPT FINANCING

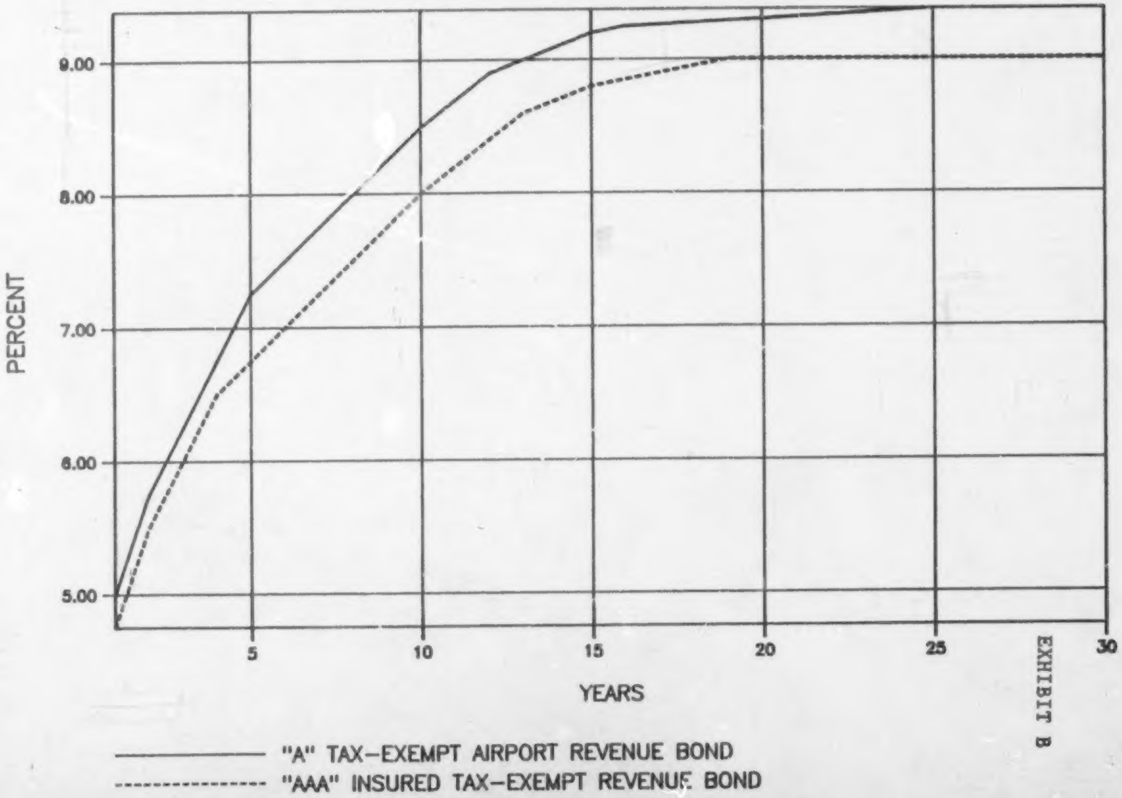
NATIONAL AND DULLES AIRPORTS COMBINED

FISCAL YEAR ENDING SEPTEMBER 30	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Construction Costs - Current Year	0	0	0	0	97000	60000	60000	60000	0	0	0	0
Average Interest Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Years of Capitalized Interest												
Bond Issue Amortizations	30	30	30	30	30	30	30	30	30	30	30	30
Short-Term Reinvestment Rate	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Long-Term Reinvestment Rate	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Construction Costs - Amt	0	0	0	0	96260	59700	59700	57600	0	0	0	0
Debt Service Reserve Fund - Amt	0	0	0	0	9237	5755	5845	5716	0	0	0	0
Capitalized Interest - Amt	0	0	0	0	31306	13334	7418	5340	0	0	0	0
Costs of Issuance	0	0	0	0	4228	2428	2241	2123	0	0	0	0
NEW BONDS-Sr	0	0	0	0	140930	80917	74704	70779	0	0	0	0
TOTAL BONDS-Sr	0	0	0	0	140930	221848	296552	367331	367331	367331	367331	367331
DEBT SERVICE--NEW BONDS-Sr	0	0	0	0	13518	7188	6636	6287	0	0	0	0
AGGREGATE DEBT SERVICE-Sr	0	0	0	0	13518	19706	26342	32629	32629	32629	32629	32629

EXHIBIT B

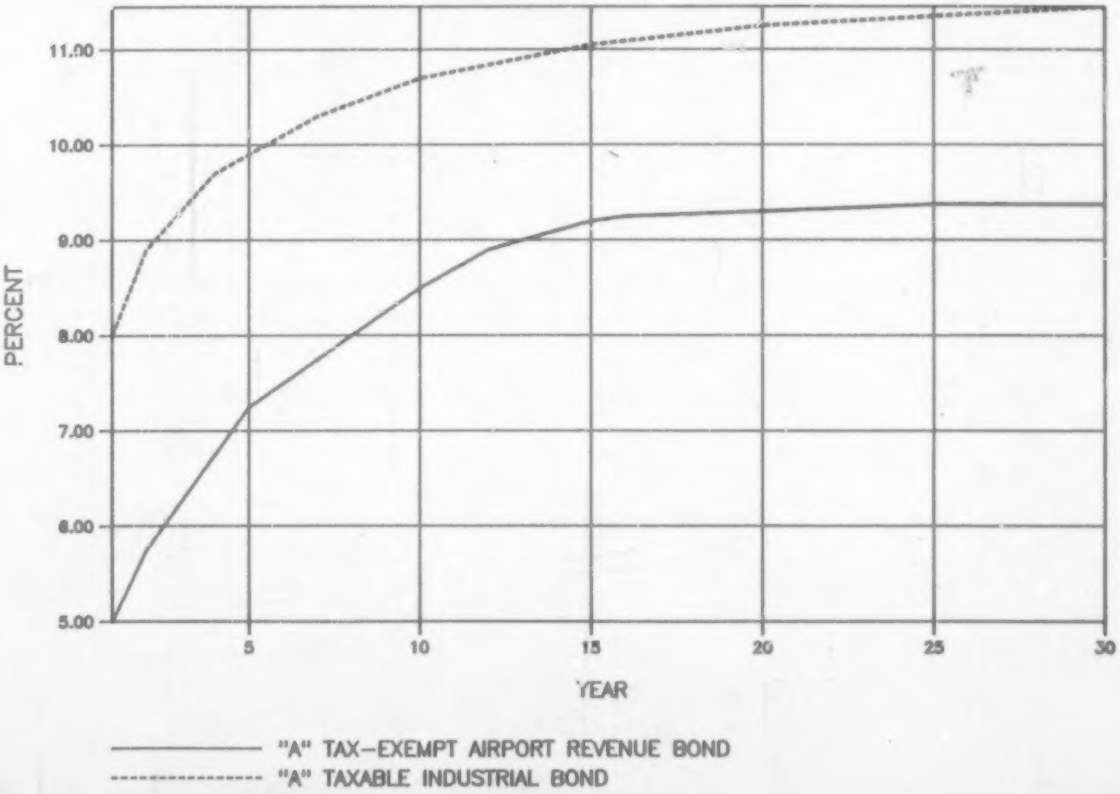
Salomon Brothers Inc

YIELD CURVES OF INTEREST RATES
AS OF JULY 8, 1985



Salomon Brothers Inc

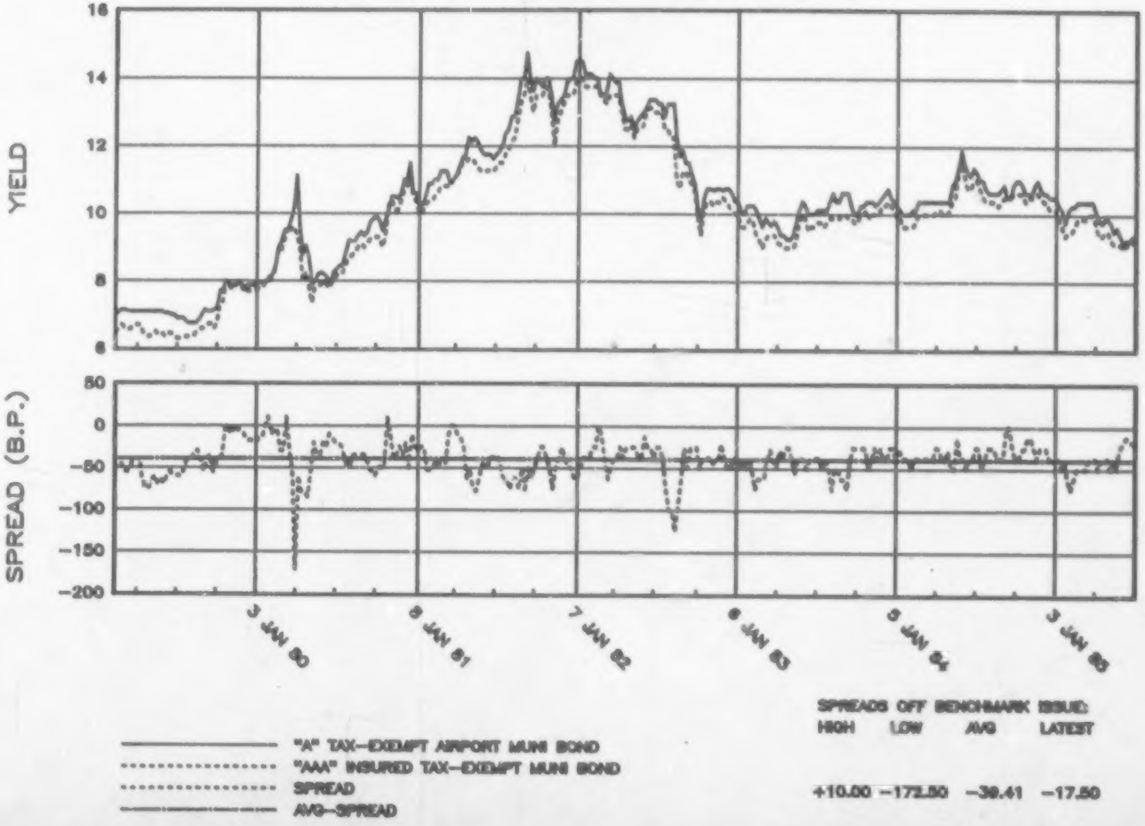
YIELD CURVES OF INTEREST RATES
AS OF JULY 8, 1985



Salomon Brothers Inc

YIELD PROFILE

WEEKLY DATA – 2/15/79 TO 7/3/85



SPREADS OFF BENCHMARK ISSUE:

HIGH	LOW	AVG	LATEST
+10.00	−172.50	−39.41	−17.50

ADVISORY COMMISSION ON THE REORGANIZATION OF THE METROPOLITAN WASHINGTON AIRPORTS

REPORT TO THE SECRETARY
DECEMBER 18, 1984

I. Introduction

The Secretary of Transportation created this Advisory Commission on June 18, 1984 and charged it with developing a proposal for transferring the Metropolitan Washington Airports (MWA), Washington National and Washington Dulles International, from federal ownership to a state, local or interstate public entity. It is important to understand that she did not ask us to determine whether the airports should be transferred, but how they should be transferred.

The transfer idea is not a new one. The government's venture in operating air carrier airports began when National Airport opened for business in 1941. By 1948, the Airport was identified as inappropriate for operation as a conventional federal agency, and the Hoover Commission recommended that it be turned over to a government corporation in 1949.

In the following thirty-five years, many attempts were made to reorganize first National, and later both National and Dulles into a government corporation. In the late 1960s, the alternative of local control was considered.

Although the idea of transfer is not new, Secretary Dole's approach to the issue is: She asked a commission comprised of the parties principally interested in the operation of the Metropolitan Washington Airports to recommend how the airports should be transferred. Her approach reflects a recognition that transfer is essentially a political issue which requires a broad consensus for success.

The Commission has diligently sought to find a middle ground that best serves the public interest and meets the concerns of the several jurisdictions the Airports serve, the users of the Airports, and the Congress, which must authorize transfer. Although we have not been able to reach unanimous agreement on all points, we have agreed on many of the basics and hope that the Secretary will be able to fashion a workable proposal to the Congress on the basis of our efforts.

Finally, the Commission recognizes that its report is necessarily general, and anticipates that the Secretary will provide more detail in her legislative proposal to the Congress.

II. The Commission's Deliberations

The Commission held seven public meetings, all at the Department of Transportation Headquarters Building, and a public hearing at the Federal Aviation Administration auditorium.1/

Early meetings were devoted to defining the scope of the Commission's concerns. A survey of existing authorities capable of acquiring and operating the Airports found a number of agencies with sufficient authority, but none able to balance the interests of the three jurisdictions without further legislation. Moreover, none of the candidate authorities, excepting only the Maryland State Aviation Administration, had any experience with the operation of airports. The Commission quickly concluded that a new authority should be created to operate the Airports, so that it could be tailored to meet the needs of the metropolitan area.

The Commission also received a summary report on the structure of several existing airport authorities, and focused its attention on two well-known and successful authorities whose facilities serve several jurisdictions: the Port Authority of New York and New Jersey, which operates the three major air carrier airports in the New York metropolitan area, and the Kenton County Airport Board, a Kentucky-based agency that operates the Greater Cincinnati International Airport.

Speakers from both authorities appeared at the October 17 meeting.2/ The Cincinnati airport, located across the Ohio River in Kentucky, is owned and operated by a Kentucky municipal agency. The Airport Board, consisting of six members who are residents of Kentucky, and the Advisory Board, consisting of eight members who are residents of Ohio, meet as a single board. Because of restrictions in Kentucky law, only the Airport Board members may vote.

The Port Authority, an interstate compact agency created in 1921, undertook operation of the New York area airports in 1948. It is governed by a twelve-member Board of Commissioners, six appointed by the Governor of New York and six by the Governor of New Jersey. Each Governor has the right to veto Board actions.

1/ Meetings were held July 25, August 7, October 17, November 7, November 29, December 13 and December 18. The public hearing was held September 12.

2/ Patrick J. Falvey, General Counsel and Assistant Executive Director, and Dr. William J. Ronan, a Commissioner, addressed the Commission on the Port Authority's experiences; William C. Whitson, Chairman, and Wilbert Ziegler, General Counsel, discussed the organization and history of the Kenton County Board.

Although the Commission concluded that neither authority provided the ideal model for a Metropolitan Washington Airports authority, their presentations provided useful advice on how to address interstate concerns. And despite considerable differences in the structure and experience of the two authorities, their representatives agreed on major points. They both emphasized the importance of an independent board with distinguished members, and recommended that they not receive compensation.

The Commission also received financial advice from Wheat, First Securities of Richmond and Salomon Brothers of New York in the form of a report (copy attached) and several presentations. In sum, the report concluded that an independent Metropolitan Washington Airports Authority would be self-sustaining, and capable of financing major improvements at both National and Dulles at favorable rates through issuance of tax-exempt revenue bonds, without appropriation of federal or state funds. Later meetings were devoted to discussion and debate of the principal issues, as described below.

III. Issues and Recommendations

The Commission identified the following issues, and the majority reached a consensus on them as follows:

A. Single Authority

> Washington National and Washington Dulles International Airports should be transferred by the Congress to a single, independent public authority to be created jointly by the Commonwealth of Virginia and the District of Columbia, with the capacity to issue tax exempt revenue bonds to finance improvements at both airports.

The Commission inquired into the possibility of transferring the two airports separately, but financial analysis shows that separating them would require such "substantially higher landing fees and terminal rentals" at Dulles that "may put [it] at a competitive disadvantage." In addition, the Commission believes that for operational effectiveness, promotion and economic development, and service to travellers, the two airports should be coordinated by a single management, as they have been in the past.

Independence is critical because both airports serve the entire metropolitan region, and the authority therefore should not be an agency within any one state or local government.

The ability to issue tax-exempt revenue bond is an advantage critical to the transfer proposal. This enables an airport authority to finance capital improvements from private capital sources at a minimum cost.

The Maryland members of the Commission 3/ agree with the majority with respect to revenue bonding authority, but believe that the Metropolitan Washington Airports should be separated. They recommend that Dulles be transferred to the Commonwealth of Virginia, while National be transferred to a tripartite authority with equal representation of Maryland, Virginia and the District of Columbia.

B. Conditions of Transfer

> The transfer should be by long-term lease with only nominal consideration, on the condition that the new authority operate both National and Washington Dulles International as primary air carrier airports serving the metropolitan Washington area. Any revenues of the new authority should be expended only on Dulles and National airport facilities. The authority should assume any existing hypothetical debt of the MWA to the Treasury.

Valuation of airport property is a difficult business, as airports are rarely bought and sold. The Commission is satisfied that, however a market price might be determined, a public transferee willing to pay a substantial price for the Metropolitan Washington Airports is not available. Nevertheless, the Commission believes that a new airport authority should reimburse the federal government for the recoverable costs of past airport capital investments. This should be done on the same basis the Metropolitan Washington Airports has been repaying these costs to the Treasury. The existing debt stands at $67.3 million. The new authority would make progress payments over a fixed period of not more than 35 years as part of its lease.

C. Governing Board

> The authority should be governed by a single board of eleven members serving staggered six-year terms, five members to be appointed by the Governor of Virginia; three by the Mayor of the District of Columbia; two by the Governor of Maryland; and one by the President, with the advice and consent of the Senate. The board should elect a chair from among its members.
>
> Members should not hold elective or appointive political office, should reside in the Washington Standard Metropolitan Statistical Area, and should serve without compensation. The residence requirement should not apply to the Presidential appointee.

3/ Paul Sarbanes, Steny Hoyer, James Truby and Scott Fosler.

> A seven-vote majority should be required to approve bond issues and the annual budget.

The Commission has been most impressed with the need for a non-political, independent authority with a board able to reach decisions without consideration of extraneous issues. The conditions proposed on board membership are common to most successful airport authorities. The residency requirement is recommended to allay any concerns that either Governor might appoint members from other parts of the state who might have interests inconsistent with those of the Washington area.

Consistent with their overall position, the Maryland members dissent from the proposed allocation among the three jurisdictions of members of the board, though not from the proposed restrictions on their appointment, or the choice of the governors and the mayor as appointing authorities. With respect to National Airport, they recommend three members appointed by each jurisdiction, with the possibility of two members to represent the Congress. 4/

Mr. Ignatius, on behalf of the Air Transport Association, prefers an allocation of board members that would provide for a majority of the appointees from a single jurisdiction, and abstains with respect to the composition of the eleven-member board.

D. Employees

> Pay levels, pensions and other benefits for present employees should be preserved.

The Commission has been impressed with the favorable reputation enjoyed by employees of the Metropolitan Washington Airports. Continuity will be required when the Airports change hands, and employees should be protected not only out of fairness to them, but to keep the airports functioning as efficiently as in the past.

For that reason, the new authority should provide a level of rights and benefits for the existing employees no less than what they are receiving at the time of transfer. To this end, the authority should be permitted to participate in the federal pension system with respect to present employees, or to develop an at least equivalent pension system of its own. MWA employees should retain any federal employment rights for a period of two years. An adequate transition period should be provided to assure that a complete pay and benefit package is developed before employees must elect between employment with the new authority and continuing federal employment.

The Maryland members do not dissent from this recommendation.

4/ Mr. Fosler advocates an agreement based on the same board structure for a single authority operating both airports.

IV. Conclusion

The Commission therefore recommends to the Secretary of Transportation that she submit to the Congress legislation authorizing the transfer of the Metropolitan Washington Airports to an independent authority to be established by interstate compact between the Commonwealth of Virginia and the District of Columbia. The transfer should be made only if the two jurisdictions enact legislation establishing such an authority with the characteristics set forth above.

Respectfully submitted,

A Linwood Holton Jr

A. Linwood Holton, Jr.
Chairman

William J. Ronan

Franklin E. White

Franklin E. White, for
Charles S. Robb
Governor of Virginia

Pauline A Schneider

Pauline A. Schneider, for
Marion Barry, Jr., Mayor
of the District of
Columbia

John Warner

John W. Warner
United States Senate

Frank Wolf
House of Representatives

Betty Ann Kane

Betty Ann Kane
District of Columbia Council

Martha V Pennino

Martha V. Pennino
Fairfax County Board of
Supervisors

Paul R Ignatius

Paul R. Ignatius
Air Transport Association

Duane H. Ekedahl
Regional Airline
Association

John H. Winant
National Business Aircraft Association

Attachments

Views of the Maryland Delegation
Wheat, First & Salomon Brothers Analysis

Congress of the United States
House of Representatives
Washington, D.C. 20515

STENY H. HOYER
5TH DISTRICT, MARYLAND

APPROPRIATIONS COMMITTEE
TREASURY, POSTAL SERVICE, GENERAL GOVERNMENT
LABOR, HEALTH AND HUMAN SERVICES, EDUCATION

TO: MEMBERS, ADVISORY COMMISSION ON THE REORGANIZATION OF THE METROPOLITAN WASHINGTON AIRPORTS

FROM: CONGRESSMAN STENY HOYER, SENATOR PAUL SARBANES, GOVERNOR HARRY HUGHES, COUNCILMAN SCOTT FOSLER

RE: ALTERNATIVE REPORT TO THE COMMISSION

These comments are offered in the interest of producing a report which contributes to achieving our shared objective, as outlined in the Commission's Charter: transferring National and Dulles airports to an appropriate state, local, or interstate body.

As we indicated during the December 13th Commission meeting, Governor Holton's efforts to "forge a solution" which reflects the interests of the Commission membership have been impressive. In this regard, we appreciate the Governor's openness to submitting a report to Secretary Dole which describes two approaches under which local control of National and Dulles could be exercised.

We concur with Secretary of Transportation Dole's premise that the Federal Aviation Administration should not be in the business of operating airports. We believe that the proposal submitted by Congressman Hoyer to transfer National Airport to an interstate authority and Dulles International Airport to the State of Virginia is consistent with the Secretary's objectives of heightening local control over the two Washington Metropolitan Airports, as well as relinquishing federal control over the airports.

Maryland strongly endorses the transfer of National Airport to an interstate authority and Dulles Airport to the State of Virginia. Under this approach, National would be leased to a nine member interstate authority with three members each from the District of Columbia, Virginia and Maryland, appointed by the Mayor of the District of Columbia and the two Governors. The National Airport Authority would have full policy, operating and financing authority.

We are open to including one or two representatives of the Federal Government on the authority to recognize the Federal interest in the "Nation's Airport."

The members of the authority would serve staggered six year terms and would not hold elective or appointed political office, would reside in the Washington Metropolitan Area, and would serve without compensation. Employees of National Airport would be protected, and their pay levels, pensions and other benefits would be preserved.

Under our proposal, Dulles International Airport would be transferred to the State of Virginia. Employees of Dulles would be protected, and their pay levels, pensions and other benefits would be preserved. Virginia, of course, would have full policy and financing authority and responsibility once the transfer of Dulles has occurred.

This approach, we believe, reflects the significant interest of each of the principal jurisdictions in National Airport while allowing Virginia to develop Dulles in the same way Maryland is developing Baltimore-Washington International.

By recognizing that all jurisdictions do not have equivalent interests in Dulles, the Hoyer approach avoids the problem of fair representation which is inherent and insoluable in the single-authority proposal. As stated earlier, we understand that Virginia is troubled by the prospect of subsidizing Dulles during the initial period under a two-authority approach. However, we point out that Maryland's $200 million investment in Baltimore-Washington International is paying significant dividends. We believe that this type of investment by Virginia and Dulles should prove equally beneficial.

Finally, we also believe that the Alternative Proposal offered by Councilman Scott Fosler of Montgomery County is a worthwhile alternative in that it endorses a single airport board for both National and Dulles airports -- a concept that meets the efficiency-in-operations objectives of Secretary Dole and has the support of a majority of the Members on the Airport Commission. The Fosler proposal, takes what we believe to be an important step further by recognizing the implicit interest of each of the neighboring jurisdictions in a fair regional air transportation policy, and provides that the single board reflect an equal representation of members from Maryland, Virginia, and the District of Columbia. We believe that the Fosler proposal warrants further discussion.

Respectfully submitted,

Harry Hughes
Harry R. Hughes, Governor,
State of Maryland

Paul Sarbanes
Paul S. Sarbanes, Senator,
State of Maryland

Steny H. Hoyer, Congressman
State of Maryland

Scott Fosler
Scott Fosler, Councilman
Montgomery County, Maryland

Alternative Proposal
Submitted by Councilman Scott Fosler

I support the Maryland proposal to transfer Washington National Airport to an interstate authority and Dulles Airport to the State of Virginia as an important step toward regional airport management. However, I also believe the benefits to the entire region would be even greater if the two airports were managed by a single authority that genuinely reflected the interests of the entire Washington metropolitan area. While the Commission has done an admirable job of moving toward our shared objective, I do not believe the majority proposal for an authority comprised of five members from Virginia, three from the District of Columbia, and two from Maryland, with one member appointed by the President, will accomplish the representation I believe essential for success.

I believe that a single, regional authority governing Washington National and Dulles Airports, with equal representation from Virginia, Maryland, and the District of Columbia (with provision for federal representation) is the simplest, fairest, and most practical way to provide effective airport management for the Washington region.

Washington National is indisputably a regional airport and should be governed with equal representation from the region's principal governments. Dulles, while currently producing neither the regional benefits nor the burdens in the magnitude of Washington National, nonetheless has substantial regional impact. The fact that the Virginia members of the Commission feel their state would decline to accept sole responsibility for Dulles without

National, fearing that Dulles by itself would not be financially viable is a clear indication that the prime importance of Dulles lies not in its geographical location, but rather in its role as a regional air facility.

Viewed separately, Washington National is a more fully regional facility than Dulles. Taken together, the two airports constitute a regional airport network whose collective benefits and burdens have substantial impact on the entire Washington region, including the Maryland as well as the Virginia and District portions. However these benefits and burdens are measured — whether in population, airport patronage, economic development, or environmental impact — the current and potential effect of airport management on any of the three jurisdictions argues strongly for equal representation from each on a regional governing body.

A single regional authority with equal representation is not only fair and workable, it is also the most likely plan both to win the approval of Congress and to advance the spirit of partnership which is essential to effective regional government in the Washington metropolitan area.

Washington National and Washington Dulles

Recommendations for Divestiture

A Summary of the Holton Commission Report and Legislation Submitted to Congress

and

Policy Position of the Greater Washington Board of Trade

May 20, 1985

Edwin I. Colodny, Chair
Transportation Coordinating Committee
Community Development Bureau
Greater Washington Board of Trade

Transportation Coordinating Committee
Roster

Edwin I. Colodny - Chair
USAir

John T. Hazel - Vice Chair
Hazel, Beckhorn & Hanes

Mac Asbill, Jr.
Sutherland Asbill & Brennan

Robert Gladstone
Quadrangle Development Corporation

Frank Ikard
Finley Kumble Wagner Heine Underberg Manley & Casey

R. Robert Linowes
Linowes & Blocher

Allen S. Lloyd
Maryland National Bank

Theodore Lutz
The Washington Post

Peter O'Malley
O'Malley, Miles, Farrington, & McCarthy

Thomas G. Pownall
Martin Marietta Corporation

Martin Rubenstein
Consultant

Foster Shannon
Shannon & Luchs Company

Reid Thompson
PEPCO

Earle C. Williams
BDM International, Inc.

William B. Wrench
Potomac Mini-Storage

PROPOSED POLICY

Single Authority

Existing Board of Trade policy supports Federal control of the airports. Present circumstances suggest a need to reconsider. A single authority can be more responsive to the residential and business community and the requirements of the airlines. Baltimore's experience with single management allowed Baltimore Washington International Airport to provide the necessary infrastructure to entice Piedmont to use BWI as one of its three hub airports where numerous connecting flights are routed.

If relief at National means more flights for Dulles, a midfield terminal is critical. In turn, that requires money. Yet, at the present time, Congress is in no position to spend money on airports because of the Federal deficit. A single authority could issue bonds to help pay for improvements like a new terminal at Dulles and relief for the traffic choked roads and terminals at National. Now approximately 12 million dollars of annual profit from the operation of both airports is returned to the Federal Treasury each year. While eventually some of that money is applied toward the existing capital debt for airport construction, the money cannot be programmed by the FAA. Hence, there is no incentive to adjust landing fees although the fees could help cover the cost of many needed improvements. A revised policy position is suggested:

> "Support the transfer of Washington National and Washington Dulles to a single independent public authority. The new authority should operate both airports as a primary carrier airport for the metropolitan Washington area."

Governing Board

Existing Board of Trade policy does not support a local governing board. Because greater local control may offer the best opportunity to actually achieve more balanced use of the region's airports, consideration should be given to revising this policy. Now, under Federal control, any member of Congress can almost singlehandedly block development at either airport. The combination of easy access and preferential treatment afforded to the Justices of the Supreme Court and to the members of Congress had created a powerful constituency for the status quo.

> "The airport authority should be governed by a single board with members appointed by the Governors of Maryland and Virginia, the Mayor of the District of Columbia, and the President."

Passenger Cap

The issue of local control has become embroiled in a recent controversy regarding lifting the passenger cap at National as part of the legislative package Congress would consider. Congressional approval of divestiture of the airports is critical. The U.S. Department of Transportation believes that Congressional approval of local control is impossible without agreeing to lift the passenger limit at National. Further, there now appears to be recognition of the fact that the major point of controversy at Washington National -- the noise level -- is not at all impacted by the level of passengers, but rather by the type of aircraft and number of operations. A policy position is suggested:

> "A limit on the number of passengers served may not be imposed."

Number of Carrier Flights Per Hour

The appropriate number of operations at Washington National has long been debated. Strong feelings prevail on both sides of the issue. However, most parties have found the current number of operations to be acceptable. In an effort, therefore, to facilitate the transfer and ensure that service is maintained to as great an extent as possible, the legislation should provide that the number of operations authorized by the FAA may not be restricted except for considerations of safety. A policy position is suggested:

> "Unless required for reasons of safety, the number of operations authorized by the FAA under the High Density Rule shall not restricted."

Noise Restrictions

Responsibility for establishing nighttime noise regulations at the Washington National Airport should rest with the Airports Authority rather than being prescribed by the statutory language contained in the Department of Transportation's legislative proposal. Such language should be deleted during Congressional consideration of the proposed bill, thus making the relationship between the new Airports Authority and the airlines consistent with that existing between airlines and other airport operations on the subject of nighttime noise restrictions. A policy position is suggested:

> "Congress should not impose nighttime noise restrictions as part of the divestiture legislation. Changes to the nighttime noise regulation should be the responsibility of the new Airports Authority."

HIGHLIGHTS OF BOARD OF TRADE INVOLVEMENT IN AIRPORTS

1928	Board of Trade recommends National Airport be located at Gravely Point. Site was later selected by Franklin Delano Roosevelt.
Late 1940's	Board of Trade begins many years of active support for location of airport at Burke.
August, 1962	Board of Trade spearheads arrangements for Dulles dedication festivities. Airport officially dedicated November 17, 1962.
May, 1963	Board of Trade urges passage of bill in Congress to have FAA Corporation operate airports. Board of Trade opposes multi-member Board of Directors to run business affairs of airports.
April, 1964	Board of Trade Aviation Committee maps out Dulles Promotion Campaign.
April, 1965	Board of Trade intervenes on behalf of Dulles in CAB case re: service to Caribbean and South America.
January, 1966	Board of Trade Executive Committee adopts statement to support use of National Airport for small, short-range jet planes complementary to Dulles.
June, 1966	Board of Directors adopts as policy: continuation of the freeze on new flights from National Airport; traffic pattern be arranged so that National becomes the principal short haul, local, commuting airport for Washington while Dulles becomes the transcontinental and trans-Atlantic airport; move some of the trans-Atlantic business from overcrowded Kennedy airport at New York to Dulles; and the FAA and CAB should compel the airlines to originate more flights from Dulles.
1967	Board of Trade continues to intervene in petitions before the CAB
January, 1967	Board of Trade opposes activities of Committee for the Abolition of National Airport.
June, 1967	In testimony before the National Capital Planning Commission, Board of Trade urges that no rapid rail service be directed to

	Dulles. Instead, build Three Sisters bridge. Also supported helicopter service.
March, 1969	Among other points, Board of Trade urges in testimony before Congress that improved access be provided to Dulles. Connect I-66 with Dulles Access Road. More flights should serve Dulles.
June, 1970	In testimony before Congress on a proposed interstate airport authority, Board of Trade opposes authority - calls for: o Balanced air transportation system. 500 miles non-stop for National instead of 650 miles (Position first adopted January 1966). o Elimination of grandfathered cities and shifting of passenger load to Dulles. o Keeping airports under Federal control because they are an extension of the Federal city.
1972	Board of Trade supports merger of Delta-Northeast before CAB.
1973	Board of Trade concurs with finding that D.C. will never have Downtown heliport built. This eliminates the possibility for helicopter service between Washington and Baltimore.
January, 1973	Board of Trade supports application by Allegheny Airlines for competitive non-stop service to Cincinnati before the CAB.
March, 1973	Board of Trade changes position on flights to approve non-stop service to grandfathered cities at the grandfathered cities to maintain the January 1973 levels into Washington National. 1) Any additional non-stop frequencies to and from these sites to be operated from Dulles; 2) One-stop flights between National and cities located 1,000 miles and more prohibited; and, 3) wide-body aircraft meeting noise and air quality requirements in National to be permitted.
July, 1975	Board of Trade urges Washington Metropolitan Transit Commission to give favorable consideration to additional service by Airport, Limo, Inc.
April, 1982	Special Transportation Task Force studies airports.

June, 1982	Special Transportation Task Force recommends balanced service among area airports including ground transportation.
May, 1984	Board of Trade surveys residents attitudes regarding transportation including airports.
November, 1984	Board of Trade adopts policy for stabilzed use of National Airport and increased use of Dulles and BWI.
February, 1985	Transportation Coordinating Committee adopts airports as priority for 1985.

USE OF AIRPORTS

A major component of the transportation system in the Greater Washington area is air travel, served by National, Dulles and the Baltimore-Washington (BWI) Airports. The survey inquired about use of each airport, reaction to various suggestions for improvement of each and assessed public concern over the number of flights coming into National Airport.

Patterns of Use

> Question: Now a question about your use of the airports in the Washington area. About how many times have you or someone in your household used National, Dulles, or Baltimore-Washington International Airports in the last six months? Count the number of times you and other members of your household have taken off and landed at one of the airports.

Number of trips	Percent	Cumulative
More than 20	7	7
11 to 20	8	15
6 to 10	18	33
5	3	36
4	10	46
3	5	51
2	12	63
1	5	68
None	32	100

Two thirds (68%) of Washington area residents have made at least one trip to one of the three airports in the last six months; one third as many as ten trips. Use of airports is highest among those who live in Fairfax, Arlington and Montgomery County. It is lowest among

District residents. (See Table 25) Use of the airports is, not unexpectedly, highly related to household income.

It is noteworthy, however, that airport use is so relatively infrequent among younger persons.

National dominates both Dulles and BWI by three-to-one in frequency of use. We asked: "Which of of the three airports do you use most often?" Sixty-seven percent said National, 19% Dulles and 14% BWI. National is used most frequently by residents of all jurisdictions except those of Loudoun County. Dulles is used more frequently among residents of Loudoun County than others. The frequency of use of BWI is highest among residents of Prince Georges County, although National still outpulls BWI among this group. It is important to note that there is no significant difference in utilization of the three airports between those who use airports frequently and those who do not. (See Table 26)

TABLE 25

FREQUENCY USE OF AIRPORTS BY JURISDICTION OF RESIDENCE AND OTHER SUBGROUPS
(In Percentages)

	No Use	Up to 5 Times	More than 5 Times
Metro Area	32	35	33
By Jurisdiction of Residence			
District	45	32	23
Alexandria	30	34	36
Arlington	24	36	40
Fairfax	21	33	46
Loudoun	44	37	19
Pr. William	41	42	17
Montgomery	24	34	42
Pr. Georges	37	39	24
By Sex			
Men	32	36	32
Women	32	34	34
By Race			
White	25	35	40
Black	51	32	17
By Age			
Under 25	51	36	13
25 to 34	35	37	28
35 to 44	33	32	35
45 & older	29	35	36
By Household Income			
Under $25,000	50	34	16
$25,000 to $34,999	28	43	29
$35,000 & over	22	34	44
By Employment Status			
Full-time work	30	35	35
Part-time work	30	38	32
Not employed	38	33	29

TABLE 26

AIRPORT USED MOST OFTEN BY JURISDICTION OF RESIDENCE AND FREQUENCY OF USE

	Percent Using An Airport "Most Often" Among Those Using Any Airport In Last 6 Months		
	National	Dulles	BWI
Metro Area	67	19	14
By Jurisdiction of Residence			
District	87	7	6
Alexandria	89	9	2
Arlington	92	6	3
Fairfax	68	30	1
Loudoun	32	68	*
Pr. William	65	35	-
Montgomery	51	26	23
Pr. Georges	52	9	39
By Frequency of Use			
1-5 times	65	19	16
More than 5 times	69	18	13

Improvements

The survey tested the relative merit in the public view of alternate proposals for improving each of the three airports.

Better ground transportation and more flights are more compelling to area residents than improved terminal facilities.

> Question: Now I am going to mention some of the improvements people have talked about for airports in the Washington area. First, which of the following improvements do you think is most important to make at Dulles: better terminal facilities, more flights, or more frequent ground transportation?

More frequent ground transportation	39%
More flights	36%
Better terminal facilities	7%
Don't know	18%

The argument that more flights are needed into and out of Dulles is significantly more persuasive to those who use Dulles most often than for those who do not. Forty-eight percent of those using Dulles most often see a need for more flights as most important whereas only 34% of those using other airports put that as the first improvement at Dulles that is needed. Apparently factors other than the number of flights are more important for those using National and BWI most often.

Better terminal facilities at Dulles are not seen as particularly important among all airport users compared to more frequent ground transportation or more flights. This finding is reinforced by responses to a question specifically on the matter.

> Question: It has been suggested that the Federal Aviation Administration build another terminal at Dulles to handle more passengers than the existing facilities can handle. How important do you think it is that another terminal be built: very important, moderately important, only somewhat important, or not at all important?

	Among Airport Users
Very important	16%
Moderately important	21%
Only somewhat important	22%
Not at all important	31%
Don't know	10%

Among users of all airports, 37% think another terminal is "very" or "moderately" important while a majority (53%) think it is "only somewhat" or "not at all important." Table 27 shows that even among those using Dulles most often the division of opinion is close with a bare plurality of 49% thinking positively about another terminal and 48% not so affirmative.

General unfamiliarity with BWI is seen in responses to a question about improvements there.

> Question: What about Baltimore-Washington Airport? Which of the following improvements do you think is most important to make at BWI: better terminal facilities, more flights, or more frequent ground transportation?

Nearly half of all airport users (46%) had no opinion on the question. More frequent ground transportation emerges as the priority, being selected by 31%. Sixteen percent called for more flights and only four percent asked for better terminal facilities as most important.

TABLE 27

VIEWS ON IMPROVEMENTS AT AIRPORTS BY DEGREE OF USE OF AIRPORTS

	Percent Among Those:			
	All Using the Airports	Using Airports Less Than 5 Times	Using Airports 5 or More Times	Using the Specific Airport Most Often*
At National				
More parking	56	56	56	57
More direct link to Metrorail	17	16	17	17
Better terminal facilities	15	18	13	17
Don't know	12	10	14	9
At Dulles				
More ground transportation	39	42	36	33
More flights	36	40	33	48
Better terminal facilities	7	6	8	7
Don't know	18	12	23	12
Importance of Another Terminal at Dulles?				
Very important	16	15	17	22
Moderately important	21	21	21	27
Only somewhat important	22	21	23	23
Not at all important	31	34	28	25
Don't know	10	8	12	3
At BWI				
More ground transportation	31	32	30	*
More flights	16	15	17	*
Better terminal facilities	7	4	9	*
Don't know	46	48	44	*

*Insufficient number of cases for users of BWI for reliable percentages.

	Among Metro Area Residents
Cut back number of flights	54%
Make no effort to cut back number of flights	36%
Qualified (volunteered)	3%
Don't know	7%

Plurality or majority sentiment is for a cutback in the number of flights in all judrisdictions except the District. (See Table 28) The distribution of opinion on the issue closely follows the flight path of planes at the airport: those most supportive of some restrictions are those living in Fairfax, Loudoun and Montgomery Counties.

Users of all airports are more inclined than others to see the need for a cutback. Even 54% of those who report using National most often are supportive of a curtailment of flights.

Finally, at National Airport additional parking overshadows other improvements as the pressing need.

> Question: And National Airport. Which of the following improvements do you think is most important to make at National: more parking facilities, better terminal facilities, or a more direct link to Metrorail?

	Among Airport Users
More parking	56%
More direct link to Metrorail	17%
Better terminal facilities	15%
Don't know	12%

The general consensus regardless of the frequency of use of airports generally, or of National in particular, is that parking is the critical issue. (See Table 27)

Flights In and Out of National

Public debate persists about the number of flights in and out of National Airport. While other studies have explored public sensibilities on the issue in depth, including an assessment of public reaction to the scatter-plan test of flight patterns into National, it was felt that a balanced look at public views about air travel required a question on this issue.

> Question: Some people feel that the number of flights coming into National Airport should be cut back. Others feel that National is so convenient that there should be no efforts to try to cut back the number of flights. Who do you tend to agree with most: those who want to cut back the number of flights or those who feel we should make no effort to cut back the number of flights?

TABLE 28

VIEW ON FLIGHT CURTAILMENT AT NATIONAL BY JURISDICTION OF RESIDENCE AND USE OF AIRPORTS

	Percent Responding:			
	Cut Back Number of Flights	No Effort to Cut Back	Qualified (Vol.)	Don't Know
Metro Area	54	36	3	7
By Jurisdiction of Residence				
District	38	49	3	9
Alexandria	53	42	3	3
Arlington	53	42	3	2
Fairfax	67	25	2	6
Loudoun	71	20	2	7
Pr. William	57	29	4	10
Montgomery	61	31	4	5
Pr. Georges	47	41	3	9
By Use of Airports In Last 6 Months				
Used National most often	54	41	4	2
Used Dulles or BWI most often	67	27	2	5
Have not used airports	45	36	3	16

85-504 E

FEDERAL OWNERSHIP OF NATIONAL AND DULLES AIRPORTS: Background, Pro-Con Analysis, and Outlook

John W. Fischer
Analyst in Transportation
Economics Division

January 11, 1985

ABSTRACT

The Reagan Administration is expected to introduce legislation during the 99th congress that would tranfer ownership of Washington National and Washington Dulles airports to a new regional airport authority. This report examines the background and issues surrounding this proposal. It addresses alternative actions available to the Congress on a pro-con basis and the outlook for their possible implementation.

CONTENTS

ABSTRACT ii

INTRODUCTION 1

I. BACKGROUND 2
  A. Washington, D.C., Area Airports 2
  B. Historical Efforts to Transfer MWA Ownership 4

II. THE HOLTON COMMISSION 5

III. MWA OWNERSHIP OPTIONS AND PRO-CON ARGUMENTS 8
  A. Sell the MWA to Virginia 8
  B. Private Ownership 9
  C. Government Corporation 10
  D. Give Control of the Airports, Including BWI, to a Regional Transportation Authority such as WMATA 11
  E. Maintain the Status Quo 12

IV. OUTLOOK 13

FEDERAL OWNERSHIP OF NATIONAL AND DULLES AIRPORTS: Background, Pro-Con Analysis, and Outlook

INTRODUCTION

On June 9, 1984, Secretary of Transportation Elizabeth Dole announced that she would seek legislation in the 99th Congress transferring ownership of Washington National and Washington Dulles International Airports from Federal to either regional or private sector control. At the same time, Secretary Dole announced the formation of an Advisory Commission on the Reorganization of Metropolitan Washington Airports to study what form of airport ownership would be most appropriate, and how transfer of ownership to this new entity could be facilitated. On December 18, 1984, that Advisory Commission (the "Holton Commission") recommended that ownership of the airports be transferred to a regional airport authority.

Federal divestiture of National Airport is far from a new idea. The Federal Government first proposed a change in ownership in 1948, and since then has frequently considered various mechanisms which would have transferred ownership of the airport. The question of transferring Dulles International Airport was included in these considerations even before the airport itself was completed and opened to traffic in 1962.

All of the proposals made since 1948 have failed to obtain the Congressional approval necessary to facilitate the transfer of airport ownership. Congress throughout the period has indicated a reluctance to transfer control over the use of National Airport to a local authority that could limit service at the airport.

Transfer of the airports has also been opposed by the airlines serving National who have frequently stated satisfaction with the status quo of Federal Aviation Administration (FAA) operation.

I. BACKGROUND

A. Washington, D.C., Area Airports

The Washington, D.C., metropolitan area is served by three major commercial airports: Washington National, Washington Dulles International and Baltimore-Washington International (BWI). Of these three, National and Dulles are owned and operated by the Federal Aviation Administration (FAA). (For convenience, these two federally-owned airports are referred to in this report as constituting the Metropolitan Washington Airports [MWA].) The MWA enjoy a unique status as the only major commercial airports in the United States owned and operated by the Federal Government. The third major area airport, BWI, is owned and operated by the State of Maryland. BWI is frequently viewed as competing with the MWA for airline service, and particularly with international service provided by Dulles Airport.

Of the three airports, National, as the Nation's 14th busiest airport (1983), handles by far the most traffic. In 1983, these airports handled passenger volumes of: National, 14.2 million; Dulles, 2.9 million; and BWI, 5.2 million. Other measures of airport activity also indicate a much greater activity level at National. On a combined basis, the MWA earned the Federal Government a profit of $11.4 million. This profit, however, is entirely the result of activity at National, as Dulles consistently operates at a deficit. BWI, which not long ago operated at a loss, is now a consistent money maker for Maryland.

Almost all airport controversy in the region is centered on activities at National Airport. National's close-in location is seen as a major attraction to air travelers. The airport's flight paths bring air traffic through densely populated areas, however, generating levels of noise and other pollution that are viewed as being acceptable or unacceptable seemingly in direct correlation between the proximity of the individual's home to the airport and their individual air travel patterns. First opened for traffic in 1941, National is physically small for an airport with such a large traffic volume. (It is not unique in this category, however.) The designers of National did not foresee the the level of activity that currently takes place at the airport. The result is a facility with many physical limitations. Expansion of the airport would be difficult due to its location, and almost impossible from a political standpoint. The limitations of the facility have led to airport access problems and to congestion in the terminal area.

Over the years, the FAA has proposed improving the airport in a number of ways. It has met continuous opposition, however, from local residents who do not want the airport to increase its traffic handling capacity. Many local residents would like to see traffic at the airport limited; some would like it eliminated. These individuals argue that relocating air service to under-utilized Dulles, or to BWI, would result in far less environmental impact and would cause air travellers only minimum inconvenience. In any event, local residents want a voice in airport use decisions which they feel is denied them as a result of Federal ownership.

The airlines, many local and national business interests, and, so far, most Members of Congress, have disagreed with this view. The airlines like National. They make very substantial profits on most of the service that they provide there. Similarly, business travelers and Members of Congress like the convenience of the airport. Congress, as will be discussed in the next section, has consistently rejected a change in airport ownership, apparently seeing nothing wrong with continued FAA operation of the airport.

B. Historical Efforts to Transfer MWA Ownership

Early efforts to change Federal administration of National Airport centered on the concept of operating the airport as a Federal corporation. Such a move was first proposed by the Truman administration in 1948, and further bolstered by a similar recommendation from the Hoover Commission in the following year. Legislation that would have carried out the incorporation process was not given full consideration until 1954. By 1954, however, airport ownership had become secondary in terms of local airport issues to the question where a second area airport would be built to handle expected future air transportation needs.

The 1958 decision to locate Dulles International in Chantilly, Virginia, allowed the question of airport ownership, which now included the new airport, to be reconsidered. Efforts made throughout the 1960s continued to call for the airport's incorporation. These efforts proved unsuccessful, however, largely due to concerns expressed by the State of Maryland that changed ownership patterns at National and Dulles could adversely affect the competitive position of Baltimore Friendship Airport, and by opposition to incorporation from the airlines and the General Accounting Office. [1]

Beginning in 1970, discussion of incorporation seems to have been replaced by new arguments favoring placement of the airports under local government control. Some of these proposals called for including Baltimore Friendship Airport in a regional airport authority. (Ownership of the Baltimore airport was assumed by the State of Maryland in 1972, at which time it was renamed BWI.) One proposal contained in 1973 legislation (introduced by then-Representative Gilbert Gude), would have transferred ownership of all three area airports to the Washington Metropolitan Area Transportation Authority (WMATA), which had been established four years earlier to oversee construction of the area's subway system. At one point, in the fiscal year 1972 budget submission, the Nixon administration actually included a line item showing how much the Federal Government might recoup from the sale of the airport to a local entity ($105 million). Again, however, attempts to change control of the airport failed to generate sufficient congressional support.

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[1] U.S. Department of Transportation. Federal Aviation Administration. History of Past Activity Regarding Organizational and Financial Structure of the Metropolitan Washington Airports, May 1984 p. 8.

Little serious discussion of airport ownership took place in the mid- and late-1970s. Interest in disposal of the two airports gained renewed attention under the Reagan administration, because of its stated aim of selling a number of Federal functions which it deemed inappropriate for government to manage. Although no actual proposal was forthcomming from the Reagan administration's first Secretary of Transportation, Drew Lewis, it was thought that sale, or some other disposal, of the airports was under serious consideration at the Department of Transportation (DOT).

II. THE HOLTON COMMISSION

Secretary of Transportation Elizabeth Dole, after reviewing several internal DOT and FAA studies, indicated strong support for the concept of transferring ownership of the two airports. She did not, however, favor any particular method for undertaking this transfer. It was her opinion, and the collective opinion of others in and out of government, that previous attempts to dispose of the airports had failed due to a lack of agreement among the most interested parties as to how a transfer could be accomplished most favorably to all concerned.

To overcome this lack of consensus, Secretary Dole, acting in June 1984, appointed an Advisory Commission on the Reorganization of the Metropolitan Washington Airports. This Commission, chaired by former Virginia Governor Linwood Holton, Jr., was to study the issue and recommend how transfer could be accomplished. The makeup of the Commission was purposely broad-based in an attempt to gather agreement among all parties thought to be interested in the operation and ownership of the two airports. Representation on the commission included the States of Maryland and Virginia, the District of Columbia, the Washington Council of Governments, Congress, affected local governments, and airport users (the Air Air Transport Association, the Regional Airline Association and the National Business Aircraft Association),

The so-called Holton Commission approached its task by holding a series of public hearings on airport ownership and by commissioning outside studies. Items examined included: airport ownership patterns in other parts of the Nation with similar regional problems and the financial prospects for the airport under various organizational structures. In the course of its investigation, the Commission was presented with a wide variety of suggestions on how the airports could and should be managed.

In keeping with its mandate, the Commission concluded its work on December 18, 1984, and forwarded its recommendations to Secretary Dole for her consideration. While the Commission did reach agreement on several items, it did not achieve the consensus that Secretary Dole had sought. In making its recommendations, the Commission rejected a sale of the airports to a private entity. The Commission thought a sale would be out of keeping with United States airport ownership patterns and inappropriate for meeting the multi-jurisdictional problems of the region.

The Commission, by majority vote, recommended that the airports be transferred to a regional airport authority. The authority would be administered by a governing board consisting of 11 members: five from Virginia, three from the District of Columbia, two from Maryland, and one appointed by the President subject to Senate confirmation. Board members would serve without compensation and could not hold any political office. All members would be area residents. This authority would be created by a congressionally-approved compact between Virginia and the District of Columbia. The airports would be transferred to the new authority on a long-term lease basis with the authority assuming any existing debt of the airports to the U.S. Treasury.

The Commission majority believed this approach would offer the best possible compromise between the needs of the airport for effective management and for the community for responsive management. It was considered essential that Virginia have the largest voice on the Board because of the airports' location. Virginia did not, however, get a majority of votes on the Board. In the Commission's view, six non-Virginia votes would protect the interests of Maryland and District residents. The structure of the Board would also reduce the likelihood of stalemates on policy issues. The Commission report also considered the possible financial aspects of the transfer and stated that the authority needed to retain control over both airports in order to be an attractive investment for would-be bond holders.

Maryland representatives on the Commission, however, did not agree with this approach. Maryland's objection was that regional control over National Airport, as proposed by the Commission's majority recommendation, does not give all interested jurisdictions equal representation. The solution favored by Maryland would place National Airport under the control of a regional authority, with equal representation from Maryland, Virginia, and the District of Columbia, while giving full control of Dulles to Virginia.

The ATA member of the Commission, while opposed to the majority recommendation, chose instead to abstain. The ATA, in reaching this decision, stated that it preferred airport ownership, if changed, to have majority representation on any governing board formed from a single jurisdiction. It is expected that the individual airlines that the ATA represents will have strong feelings about any potential change of ownership at the airport. ATA's decision to abstain from approving or disapproving the Commission's recommendations therefore seems to give the airlines the option of stating their individual opinions on any future disposition of the airports without seeming contradictory.

Secretary Dole, in receiving the Commission's report, has stated that, in her opinion, it represents a major step forward toward finding a solution to the problem of Federal ownership of the MWA. The DOT is now expected to review the Commission's work and use it as a basis for formulating legislation to be submitted early in the first session of the 99th Congress.

III. MWA OWNERSHIP OPTIONS AND PRO-CON ARGUMENTS

The proposal made by the Holton Commission represents only one of many options potentially available for reorganization of the MWA. Arguments favoring and opposing the Holton Commission recommendations either follow the minority and other views expressed in the above section, or follow objections expressed in conjunction with other proposed changes in airport ownership. What follows is a brief listing of some other possible dispositions of the MWA and some pro-con arguments associated with them.

A. Sell the MWA to Virginia

Pro. This solution has been occasionally advocated by some Northern Virginia residents who believe Virginia, as the location of both MWA airports, should be the owner and operator of the airports. In their view, the State would operate the airports in a manner similar to that employed by Maryland in its operation of BWI. Advocates of this solution believe that Virginia would be forced to pay more attention to local concerns about airport operation and would be more responsive to the day-to-day complaints and problems that are associated with any airport operation. Virginia, it is also believed, would be more concerned with generating a profit from the operation of both airports and could be expected to adopt a market-oriented approach to pricing such airport services as landing fees which are considered to be too low at National to make Dulles an attractive alternative.

Con. Virginia has no experience in airport operation and would probably manage no better than the FAA. Ownership by Virginia would soften the complaints of Virginia residents, but would provide little incentive to respond to airport concerns of District and Maryland residents. For all practical purposes, District and Maryland residents are (by this argument) probably better off as a result of Federal control. In addition, it is doubtful that the State of Virginia would be willing to purchase the airports outright. Although airport assessment is difficult, it is doubtful that the State could afford an outright purchase of the prime real estate represented by National's 680 acres, and Dulles's 9,986 acres.

B. Private Ownership

Pro. The MWA as a publicly-held, private corporation would conduct the affairs of the airports in a manner consistent with good business practice. Private operation would free the MWA from political influence and allow operation of of the airports in an efficient manner that would probably benefit the airlines, the traveling public and area residents. The airport corporation would be responsive to local needs because, like any corporation, it would have to coexist with its neighbors. If this approach did not seem to be working in what the residents considered their best interests, the residents would have the recourse of the judicial system. Private ownership is supported by free market advocates and such organizations as the Heritage Foundation. 2/

Con. Private ownership would be no more effective than public ownership at providing an efficient and profitable operation. For evidence, opponents cite the favorable experience of public airport authority operations nationwide. Private operation might be less responsive to the concerns of the local community because citizens would have less opportunity to exert influence over airport operations. This approach was considered by the Holton Commission and by the President's Private Sector Survey on Cost Control, also known as the Grace Commission. Both Commissions rejected private ownership as being politically impossible and inconsistent with United States airport ownership patterns.

C. Government Corporation

Pro. As indicated earlier, the government corporation approach was the principal alternative to direct Federal ownership of the MWA advocated for over

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2/ Butler, Stuart et al., editors. Mandate For Leadership II. The Heritage Foundation. Washington, D.C. 1984. p. 191.

two decades. Supporters of this position believe that such a corporation would be more responsive to local concerns then the FAA, yet as a public entity would still be responsive to the concerns of the Federal Government. Under this approach, the MWA would be removed from the annual budget process, giving the corporation the ability to make better long range projections as to its requirements. At the same time, budget flexibility would allow the MWA to respond better to immediate and unforeseen events including accidents, storm damage, and fires. As a result, many of the supplemental appropriations that might be required to deal with such circumstances would be eliminated. A government corporation would also be able to use non-governmental contracting procedures. This should greatly simplify the process of getting work done in a timely manner, and at the same time could offer considerable opportunity for reducing contracting costs and improving contracting quality.

Con. Government corporations have frequently required government assistance of the same magnitude as normal government agencies. For example, Amtrak and the Postal Service have consistently required Federal assistance to cover operating deficits. In addition, while taking such an activity off budget eliminates the need for budgetary action, it also removes the corporation from much of the oversight that the budgetary process provides. Such oversight, in this view, is essential to protect Government assistance from being squandered by poor management practices. Finally, all of the supposed advantages of a government corporation could be made available through the legislative process while still maintaining appropriate Federal oversight of the airports.

D. Give Control of the Airports, Including BWI, to a Regional Transportation Authority such as WMATA

Pro. A regional authority concerned with all facets of public transportation could best allocate regional resources to the various transportation modes. Such an organization would, through effective long- and short-range planning, preclude the duplication of resources. For example, it might be most efficient from a resource standpoint to concentrate all international air service at one of the three area airports. This would eliminate costs associated with the unnecessary duplication of customs and other facilities.

Con. The market is a better allocator of resources than any public body. Government should not, for example, be able to choose to allocate resources to an intercity rail terminal when air service to the same destinations is cheaper and more desirable to consumers. Transportation modes are competitive. As a result, any decisions on the allocation of resources should be based on their competitive postures vis-a-vis each other and not on the social or other values that could influence regional planning.

WMATA as the only existing regional transportation agency is considered the most likely potential operator of the airports under any plan calling for control of the airport by a multi-modal transportation authority. WMATA's numerous local detractors cite WMATA's continuing transit operating deficits and history of cost overruns as a subway builder as proof that it would be poorly suited for the task of operating airports. In fact, several members of the Holton Commission were quite adamant that any recommendation the Commission arrived at in its final report preclude the establishment of any WMATA-type organization.

E. Maintain the status quo

Pro. There is considerable support for the position that the FAA has done a good job of operating the MWA. Supporters of this position cite examples such as: FAA's commitment to promoting additional service at Dulles; the excellent safety record of the airport; and FAA willingness to experiment with new traffic patterns that could reduce noise and other environmental effects at National (the ill-fated scatter plan was such an experiment). It is also argued that the MWA's location in the Nation's capital justifies Federal ownership. Using this argument, Congress should, as the representative body of all citizens, decide use patterns that are in the national rather then local interest.

Con. Opponents of FAA ownership do not believe that the FAA is a good manager. On the contrary, several decisions that the FAA has made over the years are, in their view, open to criticism. For example, it is true that the FAA is now actively promoting the use of Dulles, but opponents think the FAA's interest is of recent origin and is largely due to considerable prodding from local governments. In fact, much of the effort to promote Dulles is being handled and financed by local government and business interests rather than the FAA. The FAA's willingness to experiment is also questioned. The scatter plan, which was ended due to local protests, actually had its origins in local government discussions of means of reducing National's noise impact. Finally, many in the community feel that the FAA has a number of ill-advised airport use policies. For example, many in the community have long felt that the congressionally mandated airport perimeter rule, which allows direct flights to National from cities no farther than 1000 miles, is far too liberal. Community advocates would prefer a more restrictive perimeter that forced long distance traffic to use Dulles.

IV. OUTLOOK

In reviewing the recommendations of the Holton Commission and previous recommendations on transfer of airport ownership, it is possible to speculate on the outcome of the coming debate on the MWA. It is probable, for example, that DOT will accept most of the recommendations of the Holton Commission in formulating legislation for ownership transfer. Previously discussed options will, in all likelihood not be discussed in detail, with one possible exception. The exception is private ownership. Private ownership is in keeping with many of the philosophical foundations of the Reagan Administration and is a concept that will appeal to like-minded congressional supporters. It seems, however, that DOT will reject the private ownership approach. As a result, congressional reaction to private ownership is uncertain.

At the moment, interest in transferring ownership of the MWA comes primarily from officials and residents of the Washington metropolitan area and the Reagan Administration. This coalition is not broad based enough to insure passage of any legislation to transfer airport ownership. Supporters of the concept will, therefore, have to gain additional congressional and outside support if proposed legislation is to have any chance of passage during the 99th Congress. The task of those seeking to transfer ownership is made considerably more difficult due to the lack of open support for the concept from the airline industry and potentially from Members of the Maryland Congressional Delegation.

The active support of Maryland for any ownership transfer would seem especially critical. As long as supporters of the MWA status quo can point to a Maryland position opposed to transferring ownership, transfer advocates will be hard pressed to show how transfer will improve the posture of the MWA in the community. It is a foregone conclusion that any regional airport authority that might be created as a result of a DOT proposed realignment of the ownership of

National and Dulles Airports will not likely include BWI because of Maryland's often-stated opposition. Maryland, as a result, will require assurance that any change in MWA ownership will not adversely effect the competitive posture of BWI. Such assurances probably will have to be an element of proposed legislation if active Maryland support for transfer is to be forthcoming.

In the past, Congress has failed to see an advantage to giving local governments the potential option of realigning MWA airport use patterns. During previous consideration of various issues concerning National Airport, several Members of Congress have indicated concern that local control will result in an attempt by anti-National airport advocates to move as much airline service as possible out of National. Those who support the findings of the Holton Commission will have to convince Congress that the resulting airport authority will have enough insulation from the community to preclude a cave-in to anti-airport activists on noise or other grounds at the expense of air commerce. These Members can be expected to seek assurance that a new airport authority will have national as well as local interests in mind. Further, they will likely insist on the political isolation of the airport commission and on having the commission operate the airports in a business-like manner. Certain types of use restrictions at National Airport, not too far out of line with current restrictions might be acceptable, however. Like their Maryland counterparts, it seems likely that curent congressional opponents would only consider ownership transfer of the MWA if their concerns are addressed in the legislation.

DOT will have to address the concerns of all of these groups if they expect proposed legislation to have a chance for passage. There appears to be some support in Congress, and in other quarters, for moving the Federal Government out of functions for which it is not thought to be suited. In order to have any chance at passing legislation to transfer National and Dulles Airports from Federal control, DOT, and transfer supporters, will have to demonstrate why airport operation is not a proper Federal function. At the same time, they will have to respond to the concerns of those who might pose significant barriers to passage. Finally, transfer supporters will have to overcome 36 years of inertia in order to change the status quo in MWA ownership.

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Rudolph G. Penner
Director

June 25, 1985

MEMORANDUM

TO: Steve Palmer
Senate Committee on Commerce, Science,
and Transportation

FROM: Jenny Wishart JW
Kathleen Kelly KK
Congressional Budget Office

SUBJECT: Airport Improvement Financing

As you requested, we have compared the cost to the federal government of two alternatives for financing improvements to Washington's National and Dulles Airports:

1. direct federal funding (assuming 100 percent federal match), and
2. local financing from tax-exempt bonds.

For the purposes of this analysis, we have assumed in both cases that the construction improvements to the airports will cost $250 million, and that they will begin in 1986. Both of the scenarios cost the federal government $250 million over time. With a direct federal grant these costs occur in the first five years, while the bonds result in tax losses over 20 years. If these costs are discounted to reflect their net present value, however, the cost to the government of the federal grant is equivalent to a $221 million outlay in 1986, and the lost tax revenues are equal to a $108 million outlay in 1986.

Under the first scenario, we have assumed that 100 percent of these improvements would be financed by the federal government. This option would increase budget authority by $250 million in 1986. Our historical spending rates indicate that this would result in increased outlays of approximately $50 million in 1986, $113 million in 1987, $50 million in 1988, $25 million in 1989, and $12 million in 1990.

The second scenario assumes that 20-year, tax-exempt bonds are issued to finance the improvements. Based on information we have reviewed for other airport improvement bonds, we estimate that bonds would have to be issued for a total of $370 million to fund $250 million worth of construction improvements. The additional funds are used to cover interest during construction, debt service reserve, and issuance costs. These costs usually add up to 50 percent of the amount of bonds needed to cover the construction. According to Moody's Investor Service credit report, airport bonds for $1.5 billion in 1983 and 1984 financed $983 million in construction programs. We have also assumed that the bonds would be issues on two dates, rather than through one issue because of Treasury limits on the time taken to spend bond proceeds. Since the improvements are expected to take five years to complete, we have assumed that the initial bond would cover the costs of the first two years of construction, and a second bond could be issued two years later to cover the remaining costs. The tax losses to the government would be about $7 million in the first few years, when only half of the total bonds had been issued, rising to $13 million after the second bond is issued to cover the remaining construction costs. These annual tax losses would continue until the bonds mature.

It is also worthwhile to note that under the Administration's new tax reform proposals, it is possible that airport improvement bonds might no longer qualify for tax-exempt status. In that case, there would be no cost to the federal government if bonds were issued to finance the improvements.

We have enclosed a table with more details on our assumptions.

If you have questions, or wish further information, please give us a call.

EXHIBIT C

AIRPORT FINANCING COSTS (In millions of dollars)

Fiscal Year	Project Cost	Spendout Rate	Construction Outlays	Interest During Construction	Bonds Issued	Bonds Repaid	Federal Tax Expenditures
1986	250.0	19.9%	49.8	4.2	205.3	0.0	6.9
1987	0.0	45.4%	113.5	13.8	0.0	0.0	6.9
1988	0.0	20.5%	51.3	18.1	165.5	0.0	12.5
1989	0.0	9.6%	24.0	20.1	0.0	0.0	12.5
1990	0.0	4.6%	11.5	21.1	0.0	0.0	12.5
1991	0.0	0.0	0.0	0.0	0.0	0.0	12.5
1992	0.0	0.0	0.0	0.0	0.0	0.0	12.5
1993	0.0	0.0	0.0	0.0	0.0	0.0	12.5
1994	0.0	0.0	0.0	0.0	0.0	0.0	12.5
1995	0.0	0.0	0.0	0.0	0.0	0.0	12.5
1996	0.0	0.0	0.0	0.0	0.0	0.0	12.5
1997	0.0	0.0	0.0	0.0	0.0	0.0	12.5
1998	0.0	0.0	0.0	0.0	0.0	0.0	12.5
1999	0.0	0.0	0.0	0.0	0.0	0.0	12.5
2000	0.0	0.0	0.0	0.0	0.0	0.0	12.5
2001	0.0	0.0	0.0	0.0	0.0	0.0	12.5
2002	0.0	0.0	0.0	0.0	0.0	0.0	12.5
2003	0.0	0.0	0.0	0.0	0.0	0.0	12.5
2004	0.0	0.0	0.0	0.0	0.0	0.0	12.5
2005	0.0	0.0	0.0	0.0	0.0	0.0	12.5
2006	0.0	0.0	0.0	0.0	0.0	(205.3)	5.6
2007	0.0	0.0	0.0	0.0	0.0	0.0	5.6
2008	0.0	0.0	0.0	0.0	0.0	(165.5)	0.0
Total	250.0	100%	250.0	77.3	370.8	(370.8)	250.3
NPV	250.0	0.0	221.2	61.2	342.0	(50.8)	108.1

OTA REPORT BRIEF

August 1984

Airport System Development

Events in recent years—airline deregulation, the air traffic controllers' strike, and the growth of air travel in a resurgent economy—have focused attention on problems of airport capacity. Lack of capacity at major airports, notably during peak travel periods and adverse weather, has been cited as a significant cause of delay and rising costs in providing air service.

Airlines and other users of major airports have called on the Federal Aviation Administration and local airport authorities for relief of immediate problems and assurance that adequate facilities will be available to accommodate long-term growth in air travel. The OTA study examines technological, economic, and managerial approaches that could be taken to increase capacity and reduce delay at airports.

Technological methods to augment airport runway capacity include: 1) more accurate radar for use in terminal areas, 2) more precise guidance for landing in reduced visibility, 3) improved air traffic control systems to smooth and regulate traffic flow, and 4) methods to detect and monitor wind shear and wake turbulence.

These technologies, especially if coupled with reduced aircraft separation standards and revised rules for use of multiple runways, could increase capacity by as much as 30 percent at some airports during adverse weather, when the rate of operations is reduced from that attainable in good visibility. Benefits would vary considerably from site to site since they depend on airspace geometry, runway layout, traffic mix, and prevailing weather conditions. **On average, the increase in capacity is likely to be much smaller, probably in the range of 5 to 10 percent.** These increases should not be dismissed as insignificant; they would lessen delay where and when it is most likely to occur—at major airports in bad weather—and so would benefit a large number of passengers.

Another approach would be to build new airports to absorb growing demand. In most cities, however, this is impractical because of scarcity of land, high costs of development, and community concern about noise and land use. **OTA found no metropolitan area actively planning to build a major new airport, and it is unlikely that more than one or two such airports will be built before the end of the century.**

Building new facilities and developing new guidance and control systems are becoming increasingly difficult and yield diminishing capacity gains. **Adequate future capacity cannot be assured by technology alone, and it is important to explore approaches that make more effective use of what is already in place—** selectively upgrading existing facilities and exploiting surplus capacity at other nearby airports in the region. Two promising solutions of this sort are separate short runways for small aircraft at major air carrier airports and "reliever" airports for general aviation at convenient locations elsewhere in the metropolitan area.

Much of the delay at airports stems from overscheduling of airline flights in morning and early evening hours and the tendency of general aviation to concentrate at these same times. Building new facilities to accommodate these high peaks of demand is often self-defeating since the additional capacity simply results in more peak-period demand and creates the need for more, increasingly expensive, capital investment. **An alternative, less capital-intensive, approach is demand management to alter patterns of airport use so that demand can be accommodated within existing capacity.**

Two basic methods can be used to manage demand: 1) setting landing fees according to the time of day or level of demand, and 2) regulatory or administrative actions to limit the number or type of flights that will be accommodated. Either approach would have the same general effect—**demand would be spread more evenly throughout the day, thereby eliminating costly investments in facilities needed only at peak periods, but idle the rest of the time.**

Delay on the landside—in the terminal building and on roads leading to the airport—is as common as airside delay, and equally costly and inconvenient to passengers. **In general, the solution to landside problems is not new technology, but better planning and coordination among the various Federal, State, and local agencies, which often have overlapping jurisdictions and conflicting priorities.**

In cooperation with the Congressional Budget Office, OTA examined the financial condition of U.S. airports and found few funding problems at the top 71 airports that collectively serve over 90 percent of airline passenger traffic. These airports are in good financial condition and enjoy sufficient, often ample, revenues to assure their creditworthiness in the municipal bond market. There has never been a default on an airport bond issue—an unblemished record that further enhances airports' reputation as soundly financed and managed enterprises. **Availability of capital for improvement at major airports is not a significant obstacle,** and the locations facing the greatest problems of congestion and delay appear able to finance needed capital investments with only minimal Federal support.

The major issues surrounding the current Federal role in airport development concern the level and purpose of capital grants to airports, the criteria of eligibility, and the administration of the program. As alternatives to present policy, OTA examines various ways to retarget Federal funds and to shift some administrative and fiscal responsibility for airport improvement programs to the State and local levels.

OTA also addresses the question of Federal, State, and local airport planning and provides background information to help evaluate the National Plan of Integrated Airport Systems, to be issued by the Federal Aviation Administration in September 1984. The major finding with regard to planning is that **there is a need to look at airports from a regional and multimodal perspective, seeking ways to weld them into the overall transportation network.** This entails balancing the use of regional airport facilities, reducing the cost and inconvenience of access to airports from within the metropolitan area, and promoting better connection between air and land modes of transportation.

Copies of the OTA report, "Airport System Development," are available from the U.S. Government Printing Office. The GPO stock number is 052-003-00960-9; the price is $7.50. Copies of the report for congressional use are available by calling 4-8996. Summaries of reports are available at no charge from the Office of Technology Assessment.

The Office of Technology Assessment (OTA) is an analytical arm of the U.S. Congress whose basic function is to help legislators anticipate and plan for the positive and negative impacts of technological changes.
Address: OTA, U.S. Congress, Washington, DC 20510. Phone: 202/224-8996. John H. Gibbons, *Director*

federal register

Friday
November 27, 1981

Part IV

Department of Transportation

Federal Aviation Administration

Metropolitan Washington Airports: Final Rule

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Parts 93 and 159

[Docket No. 21955; Amdt. Nos. 93-44 and 159-27]

Metropolitan Washington Airports

AGENCY: Federal Aviation Administration (FAA), Transportation (DOT).

ACTION: Final rule.

SUMMARY: The FAA is adopting rules to implement the DOT/FAA policy to guide the future operation and development of Washington National and Dulles International Airports and to improve the quality of the environment in the Washington metropolitan area. These rules relate to the number and type of aircraft operations, the hours of operation and scheduling, a limit on the total number of passengers using National Airport, noise levels for nighttime operations, the perimeter for nonstop service, aircraft equipment restrictions, and the hourly allocation of operations among different classes of users at National. This amendment revokes the rules issued September 15, 1980, which were scheduled to become effective on November 30, 1981.

EFFECTIVE DATE: December 6, 1981, except that § 159.40 (Nighttime Noise Limitations) is effective on March 1, 1982. The revocation of Amendments 93.37 and 159.20 (§§ 93.123(a), (b)(3), (c), 159.40, 159.59, 159.60) is effective on November 23, 1981.

FOR FURTHER INFORMATION CONTACT:

Edward P. Faberman, Acting Deputy Chief Counsel (AGC-2), Office of the Chief Counsel, Federal Aviation Administration, 800 Independence Avenue SW., Washington, D.C. 20591; telephone (202) 426-3073

or

Edward Faggen, Metropolitan Washington Airports Counsel, Washington National Airport, Hangar 9, Washington, D.C. 20001; telephone (703) 557-8123.

SUPPLEMENTARY INFORMATION:

Environmental Impact Statement

A supplement to the Final Environmental Impact Statement of August 1980 has been prepared by the FAA Office of Environment and Energy. This final statement was transmitted to the Environmental Protection Agency and the formal notice of its availability was published in the **Federal Register** on September 25, 1981 (46 FR 47297). It is available for public review at the FAA Docket. Also, the statement will be distributed to area public libraries. Copies of the impact statement may be obtained from: John E. Wesler, Director of Environment and Energy, Federal Aviation Administration, 800 Independence Avenue SW., Washington, D.C. 20591; telephone: (202) 426-8406.

Regulatory Evaluation

A final Regulatory Evaluation was prepared and has been placed in the public docket. At DOT's request, the Director of OMB, in accordance with the Executive Order, waived the requirement for a preliminary evaluation. However, a preliminary evaluation was prepared and placed in the docket in order to maximize the amount of information available to those commenting on the proposal.

Some commenters have criticized the amount of time for which the preliminary analysis was made available prior to the close of the comment period. FAA recognizes that this period of time was relatively short; however, since its preparation and release were voluntary, FAA does not consider the criticism to be warranted. The alternative was not to release the document at all, which would not have been in the public interest. It must be noted that under 14 CFR 11.47, comments submitted after the close of the comment period would have been considered so far as possible without incurring expense or delay. The preliminary Regulatory Evaluation remained available for review after the formal comment period closed. Therefore, those commenters wishing to submit comments on the evaluation did have additional time to do so.

Some commenters claimed that the FAA has not complied with the Regulatory Flexibility Act (5 U.S.C. 603) in this rulemaking. However, the FAA has fully complied with the Act. The FAA's certification required under the Act (5 U.S.C. 605(b)) was contained in the notice of proposed rulemaking on this subject. A supplementary evaluation supporting that certification was placed in the docket at the beginning of the comment period.

Background

Interested persons were invited to participate in the making of the policy and these rules by a Notice of Proposed Rulemaking (NPRM) published July 13, 1981 (Notice No. 81-8; 46 FR 36068). Written comments were received from citizens residing near the airport, local municipal and county governments, cities served or desiring service into National, and the air carrier and general aviation industries. In addition, FAA heard the views of more than 50 speakers at public hearings held July 28-29. Many of the speakers represented large organizations of citizens or airport users.

The United States, acting through the Federal Aviation Administration (FAA) of the Department of Transportation (DOT) owns, operates and maintains the Metropolitan Washington Airports—Washington National and Dulles International, the two air carrier airports serving the Washington, D.C. area. Baltimore-Washington International Airport (BWI) also provides service to metropolitan Washington, and is owned and operated by the State of Maryland acting through the Maryland Department of Transportation (MDOT).

For approximately 10 years, the U.S. Department of Transportation has been seeking to establish an appropriate policy to guide the management and operation of Washington National and Dulles International Airports. Once a role for each airport in meeting the Washington metropolitan area's air transportation needs is clearly defined, it will be possible for DOT to move ahead with decisions pertaining to the facilities at Washington National while continuing to make timely improvements to Dulles. An understanding of the role of each airport is necessary to assure that the investment in improvements and management of present facilities are consistent with the area's needs. While the U.S. DOT does not establish policy for BWI, it recognizes that actions taken at National and Dulles Airports may influence operations at BWI. Therefore, BWI's role was considered in the development of this policy for the federally owned airports. The respective roles of these three airports have been the subject of several studies by the U.S. DOT, the State of Maryland DOT, and the Metropolitan Washington Council of Governments (COG).

In March 1978, the FAA issued a Notice of Proposed Metropolitan Washington Airports Policy (43 FR 12141; March 23, 1978). At that time, FAA proposed that Dulles Airport would continue to provide all types of air service to the Washington area. At National it was proposed to formally adopt the existing 650-mile nonstop perimeter, to retain the existing limit on air carrier activity at 40 scheduled operations per hour, to end scheduled air carrier activity at 9:30 p.m. daily, to place nighttime noise level restrictions on aircraft, to permit two- and three-engine wide-body aircraft to operate, and to constrain growth to no more than 16 million annual passengers in 1985 and 18 million in 1990. The FAA proposal was accompanied by a Draft Environmental Impact Statement. Following the proposal, FAA conducted several public hearings and solicited comments from the public. Many comments on the policy proposal were received from other Federal agencies, state, local and municipal agencies, organizations, individuals, and members of Congress. Officials of several cities currently served or seeking to receive air service to Washington via National Airport also commented on the proposal.

On January 15, 1980, the Secretary proposed a new policy based upon the 1978 Notice, with new proposals with respect to nighttime operations, the number of operations allocated to different classes of users, the annual passenger limitation, and the nonstop service restriction at National. Also, on January 15, 1980, the FAA's Administrator issued an NPRM (Notice No. 80-2; 45 FR 4314; January 21, 1980) in which rules to implement the proposed policy were presented for public review and comment. The FAA also issued a supplement to the FAA Draft Environmental Impact Statement that had been issued in March 1978. As part of this rulemaking effort, the FAA held three public hearings which supplemented the hundreds of comments submitted during the comment period.

A Metropolitan Washington Airports Policy was announced on August 15, 1980, by the Secretary of Transportation. The FAA filed its Final Impact Statement with the Environmental Protection Agency on that same date. On September 15, 1980, the Administrator issued final rules implementing the Metropolitan Washington Airports Policy issued by the Secretary (45 FR 62398; September 18, 1980). The policy and regulations were as follows:

1. *Growth Limitation at National.* Washington National Airport would be permitted to accommodate no more than 17 million total passengers per year. That level would be maintained by periodically adjusting the number of operations allocated to air carriers operating aircraft with 56 passenger seats or more.

2. *Operating Hours.* The hours of operation at Washington National Airport were to be modified to provide that no air carrier, air taxi or commuter would be permitted to schedule operations between the hours of 9:30 p.m. and 7:00 a.m. Additionally, a curfew would be in force on all aircraft departures between the hours of 10:30 p.m. and 7:00 a.m. Similarly, there would be a curfew on aircraft arrivals between the hours of 11:00 p.m. and 7:00 a.m. FAA was to determine if a noise level limitation in lieu of an absolute curfew could be adopted consistent with the objective of maintaining a quiet nighttime environment.

3. *Slot Availability to Various User Classes.* The total number of operating slots at Washington National would remain at 60 per hour, as provided in the existing High Density Rule (14 CFR 93.121, *et. seq.*). The portion of that total which would be available to scheduled certificated air carriers was reduced to 36 per hour, a reduction of 4 per hour from the current allocation of 40 per hour. The commuter allowance was increased from 8 per hour to a level of 12 per hour with additional slots contemplated if air carrier slots were reduced over time.

4. *Use of Wide-body Aircraft at National.* The policy would have ended the prohibition on the use of two- and three-engine wide-body aircraft at Washington National provided that the FAA determined that the use of such aircraft was operationally feasible and the Director of FAA's Metropolitan Washington Airports found that the use of such aircraft was compatible with the aircraft operator's apron and terminal facilities and with the airport's other terminal and roadway capabilities.

5. *Nonstop Perimeter at National.* The nonstop service perimeter for Washington National would be redefined at 1,000 statute miles, with no exceptions.

6. *Improvement of Washington National.* The FAA would undertake to develop a master plan for physical redevelopment of Washington National.

7. *The Role of Dulles.* Dulles Airport would provide all types of aviation service. The Dulles Airport Access Highway would remain an airport-only roadway with the exceptions currently in force. Additional access improvements to Dulles would be pursued.

The regulations issued on September 15 were to become effective on January 5, 1981. The Congress, in the Department of Transportation and Related Agencies Appropriation Act of 1981, Pub. L. 96–400, provided that none of the funds appropriated could be used to mandate any reduction of the total number of certificated air carrier slots allocated per hour at National before April 26, 1981. As a result of that law and because the Metropolitan Washington Airports Policy elements were interrelated, the effective date of the entire policy was postponed until April 26, 1981.

On March 24, 1981, the Secretary of Transportation delayed the effective date of the Metropolitan Washington Airports Policy and the implementing regulations until October 25, 1981 (46 FR 19255; March 30, 1981). The change in the effective date was necessary to permit evaluation, among other things, of the existing policy in accordance with the objectives of Executive Order 12291 (46 FR 13193; February 19, 1981), which provided new government-wide standards for the promulgation of regulations.

On October 22, 1981, the effective date of the Metropolitan Washington Airports Policy was further delayed until November 30, 1981, to allow additional time to complete the review of the issues and comments.

Summary of the Policy

The FAA and the Office of the Secretary of Transportation have reevaluated each aspect of the Metropolitan Washington Airports Policy and the implementing regulations with reference to Executive Order 12291, the Regulatory Flexibility Act, and comments received during the comment period in light of the Department's objectives. The objectives for the Metropolitan Washington Airports Policy have been stated repeatedly over the years. Stated concisely, the DOT's objectives have been and remain:

1. To provide the metropolitan Washington area with safe and efficient airport facilities.

2. To prescribe a role for Washington National and Dulles International Airports which, considering environmental and safety factors, will permit orderly planning by the FAA, the surrounding region, and the aviation industry for the future of these facilities.

3. To reduce the aircraft noise and congestion associated with the prevailing use of Washington National.

4. To promote better utilization of Dulles Airport.

5. To achieve optimum utilization of existing and planned capacity at the airports.

Comments on the notice, as well as those submitted on previous proposals concerning this issue, reveal sharp differences on the policy. Commenters from the immediate region in which the airports are located, including the States of Virginia and Maryland, regional and municipal officials, and many local residents, expressed the view that with Dulles and BWI Airports available to serve the region, the concentration of the region's air carrier activity at National Airport is an unwarranted burden on the residents who are constantly exposed to aircraft noise. Other commenters, including the air carrier industry, business interests, many from beyond the Washington area, and elected officials from many areas of the country, expressed the opinion that National Airport is a uniquely convenient and valuable transportation asset that must be kept available for air travellers and shippers.

With these ends in mind, the Metropolitan Washington Airports Policy as follows:

1. The number of scheduled operations at Washington National Airport by air carriers utilizing aircraft with 56 or more passenger seats shall be limited to 37 per hour. The numerical limitation on the scheduled operations of commuter air carriers (operations involving aircraft certificated with less than 56 passenger seats) shall be 11 per hour while the number of reservations available for general aviation operations will remain at 12 per hour.

2. There will be noise limitations imposed on aircraft operated after 9:30 p.m. and before 7:00 a.m. at Washington National Airport. The noise limits will be sufficiently stringent to permit only relatively quiet aircraft to operate during nighttime hours. Adoption of daytime noise limits will be deferred at this time pending further review during a one year period after date of issuance.

3. Washington National Airport will be permitted to accommodate no more than 16 million total passengers per year.

4. Any air carrier aircraft types not currently operating at National Airport will not be allowed to use the airport: (1) Until it has been determined by the Administrator that operation of the aircraft at the airport meets appropriate safety concerns; and (2) until it has been determined by the director of the Metropolitan Washington Airports that the proposed operation is compatible with the airport's gate, apron, baggage and passenger handling, and roadway facilities.

5. Nonstop air carrier service to and from Washington National Airport shall be limited to distances of not more than 1,000 statute miles.

Other Matters

The FAA will actively promote improvements in the ground transportation to Dulles Airport. In particular, FAA will: (1) Emphasize the construction of the Dulles Access Highway connection to Interstate 66; and (2) strive to improve the quality of bus transportation to the airport.

In the first year of implementation of this policy, a Department of Transportation task force will monitor the impacts on air service to and from Washington to determine whether the policy is serving its stated purposes and whether any alterations should be made.

In addition, this task force will conduct a careful study of the original noise level standards proposed for daytime operations in 1981 and 1985 to determine whether, in light of the comments, they can reasonably be imposed as proposed or in a modified form. Interested parties will be contacted during this review.

Finally, consideration will also be given by the task force to a proposal made in the rulemaking process by the commuter air carriers. They argued that they should be permitted more operations than proposed, on the condition that they be operated with aircraft that meet the nighttime noise levels. The FAA, in determining whether to allow them, will consider the effects of any such additional flights on noise levels, congestion, and air traffic.

Policy Description

The following is a further description of the adopted policy and regulations.

1. Passenger Ceiling

Under this policy the annual passenger limitation at National Airport will be 16 million total passengers per year (including enplaned plus deplaned passengers from air carrier, commuter and general aviation operations). The limitation (see § 93.124) will be maintained by future reductions in the slots of "air carriers except air taxis" as defined by these regulations. Although the reduction in air carrier slots from 40 to 37 will reduce the number of air carrier operations conducted at National Airport, the capacity limitation is necessary because the number of passengers utilizing the airport may continue to increase, even without the introduction of new aircraft types. Passenger activity has decreased slightly at National compared to 1979 levels, but growth trends can be expected to resume. Under existing limits, passenger activity has increased from approximately 11 million in 1972 to 15 million in 1979. This rule will limit that increase to be consistent with an appropriate level of use of airport facilities and will shift future growth in passenger activity to Dulles and BWI Airports. Thus, the cap on growth is a key to achieving the goals of this policy.

If no limitation were imposed, Washington area passengers would be expected to be distributed in the future as follows:

ANNUAL PASSENGERS

[Forecast in million annual passengers]

Year	National	Percent market	Dulles	Percent market	BWI	Percent market
1979	14.8	69	2.7	12	3.9	19
1985	18.1	60	6.3	20	6.2	20
1990	19.2	53	8.6	24	8.3	23

The forecast shows National continuing to dominate, in terms of passenger activity, through this decade, even assuming, as the above figures do, that wide-bodies are not allowed there. If wide-bodies, which seat about 200 to 275 passengers, were permitted to replace the 90- to 130-seat aircraft now serving National, passenger activity would grow even faster. It would be projected to reach 19 million passengers even earlier than shown above.

The growth potential is so great that, even with the reduction of the number of operations per hour allowed by this rule, combined with the nighttime noise limitations, National's passenger traffic could increase substantially if capacity limitations were not adopted. The reduction from 40 to 37 flights per hour may slow the rate of growth at Washington National somewhat, but would not by itself bring about a significant shift in future passenger activity to Dulles or BWI. Therefore, the ceiling on passenger activity at National is necessary.

Several commenters urge FAA to set the passenger ceiling at a lower level. Some commenters state that 14.5 million passenger level (approximately the level prior to the air traffic controller's strike) should be maintained. However, the 16 million annual passenger limitation imposes a limit on the use of National at a level not appreciably higher than the level at which it operated prior to the strike. It is a level which should not necessitate further reduction in air carrier scheduling slots for at least another 2 years, thereby giving the carriers time to plan for future changes in the way they serve the Washington metropolitan area. It is a level of use that permits National to continue as a major airport facility without severely disrupting passenger traffic patterns, but it will also increase the likelihood that the bulk of the growth in the area's passenger activity in this decade will occur at Dulles and BWI. Without a firm cap on National, it does not appear that the air carrier activity will shift in sufficient volume to these airports. A cap of 14.5 million passengers would require a deeper immediate cut of air carrier slots than FAA believes is prudent to impose. The 37 slots per hour, although down from 40, would permit annual passenger activity at the airport to exceed 14.5 million when the growth trends in passenger activity resume. Therefore, further slot reductions would be necessary almost immediately, which could have service impacts that are not necessary for furtherance of this policy.

The slot reduction mechanism itself should enable the air carriers to plan operations at National even though there could be possible fluctuation in the number of slots available. The mechanism will automatically adjust the number of hourly scheduled operations or operating slots that are available to air carriers operating aircraft with 56 or more passenger seats. Under the amendment, the number of passengers will be allowed to grow toward the ceiling, but slot reduction will occur to assure that the 16-million level is not exceeded.

As provided in § 93.124, once a year (in January), the FAA will prepare a forecast of total enplaned and deplaned air passenger activity (air carrier, commuter, and general aviation) over a 12-month period, beginning the following April. If the forcasted activity for the 12-month period is in excess of the target number of passengers, 16 million, then the number of hourly slots allocated to air carriers (37) will be reduced. The slots reduced from the air carrier allocation will be added to the air taxi allocation. If future projections were to show that the 16 million target would be exceeded, then additional slots would be deleted until the forecast passenger activity stabilizes at less than 16 million. For example, if the forecast showed that 35 hourly air carrier slots would result in a passenger capacity of more than 16 million, then the air carrier hourly slot level will be reduced to 34 and the air taxi hourly slot level will be increased to 14.

The formula would also work in reverse. In a situation where, first, passenger activity forecasts have led to a reduction in slots below 37, and then passenger activity is forecasted to go below 16 million, then slots will be added to the air carrier total so long as the resultant forecast remains below 16 million. The slots added to the air carrier hourly total will be taken from the air taxi hourly total. This would permit the carriers to add flights, but no increase above 37 total slots per hour will be permitted.

Some commenters suggest that by adding the reduced air carriers operations to those by the air taxis the total passenger count would continue to rise and air carriers would lose additional slots as a result of actions not taken by them. Under this mechanism for enforcing the cap, the alternative of holding the air carrier slots in escrow in lieu of allocating them to the commuters is not considered necessary inasmuch as, in view of the aircraft types used by commuters, use of these slots by commuters will not drive the passenger count up significantly.

The annual modification of slots allocated to air carriers other than air taxis would be automatic. Several commenters suggest that the proposed forecast be published for comment before slot adjustments are made. The FAA recognizes the significant of a forecast which results in the reduction of slots. Therefore, the agency will review the forecasting procedures and will use a notice procedure in which the preliminary forecast of annual passenger activity will be published in the **Federal Register**. After some comment period, the final forecast and slot modification, if any, will also be published. Any slot modification resulting from this process would be effective for the next airline scheduling period beginning in April, and would remain in effect until superseded by another forecast.

2. Operating Slots

This rule (§ 93.123(c)) modifies the distribution of instrument flight operations (takeoffs and landings) or "slots" for air carriers and commuters and keeps the "other" group at its current level. The number of "air carrier except air taxis" as defined in § 93.123(c), operations at National may not be more than 37 per hour. The carriers currently schedule up to 40 operations per hour. A reduction of 3 air carrier operations per hour will, by itself, eliminate 45 potential operations between 7:00 a.m. and 10:00 p.m. Although operations could be conducted under this amendment between 10:00 p.m. and 7:00 a.m., aircraft involved in such operations would have to comply with the applicable noise limits set out in § 159.40. None of the aircraft currently in use at National by air carriers comply with these noise level restrictions. This results in air carriers being able to schedule operations over a 15-hour day in lieu of a 16-hour day which they currently schedule.

The reduction of air carrier hourly slots, combined with the elimination of additional operations that have been conducted under § 93.129 (discussed below), and the elimination of noisy aircraft after 9:59 p.m., will give relief from noise and groundside congestion. This reduction and the passenger capacity limitation will provide the impetus for a shift in air carrier operations to the other airports serving the metropolitan area while, at the same time, promoting a more efficient airspace system.

With respect to operations at Washington National Airport, changes the definition of "scheduled air taxis" and "air carriers except air taxis" as those terms are used in §§ 93.123 and 93.124. "Air carrier" slots would have to be used for operations (air carriers and commuters) with aircraft having a maximum certificated passenger seating capacity of 56 seats or more, while "air taxi" slots would have to be used for all air carrier or commuter operations in aircraft having a maximum certificated passenger seating capacity of less than 56. Some commenters asked for a definition of the word "certificated." The phrase as used in this section refers to the original type certificate not a supplemental or amended type certificate.

As a result of the change in definition of air carrier and air taxis, the number of operators seeking air carrier slots will decrease. Today, more than 50 of these slots per day are used for operations conducted with aircraft with fewer than 56 seats that will no longer be eligible for "air carrier except air taxi" reservations. Therefore, this slot adjustment will not result in a major reduction in the actual number of operations that are today conducted by operators with aircraft having 56 seats or more.

Extra Sections

As under the previous policy, § 93.123(b)(4) provides that extra sections of a scheduled operation will not be required to obtain a slot reservation. The rule (§ 93.123(b)(4)) is modified to allow "scheduled air taxis" also to fly extra sections to and from Washington National without regard to the slot limitations of § 93.123(c). At the time at which the high density rule was issued, there was no need to extend the "extra section" authority to air taxi operations. As a result of changes in the industry, there is no longer a basis for limiting this authority to air carriers. Therefore, air taxis at National will also be able to utilize extra section authority.

Comments were submitted in connection with the use of "extra sections." New York Air states that allowing continuation of "extra section" authority while eliminating "ATC" authority (under § 93.128) amounts to regulatory bias. The "extra section" provision pertains to a type of service; it does not limit who can use that service. It was designed to give carriers who wanted to operate "extra sections" the ability to conduct that particular type of operation without having to obtain a reserved "slot." The alternative was to require a carrier to obtain a slot for an entire scheduling period although the slot might only be used for certain days during that period. This would be an inefficient use of slots and would deprive carriers of the opportunity to conduct other operations. The fact that only one carrier, Eastern, uses a large number of these "extra sections" to conduct a shuttle type of operation is not a consequence of the rule but instead reflects individual management decisions. Other carriers do operate extra sections, particularly during holiday seasons.

If newer carriers do not implement a shuttle type of service, the use of this provision by one carrier does not make the provision discriminatory. There are many types of service new entrant carriers do not choose to provide. Yet, the DOT is not obligated to forbid other carriers from offering them. DOT would not be justified in eliminating the extra sections provision solely because a particular carrier is not in the position to make use of it or gives priority to use of its equipment in other markets.

DOT is concerned over allegations made about the manner in which "extra section" flights have been operated. For example, the use of "advance" sections is inconsistent with the intended use of this provision. Eastern Airlines in its comment states (p. 6):

> If a greater number of passengers appear for a scheduled flight than can be accommodated on that flight, the extra section rule permits the carrier to initiate an extra section to ensure that every passenger demanding a seat on a regularly scheduled flight is accommodated.

This statement does reflect the type of service which was intended to be accommodated by this provision. To expand on this, DOT considers an extra section to be an operation which: (a) Is nonscheduled; (b) serves the passengers who cannot be accommodated on the original scheduled section for which the carrier has obtained an arrival or departure reservation; and (c) the original section should depart no more than a few minutes before, on, or after the time at which it was scheduled.

DOT recognizes that unanticipated equipment, weather, or other problems could create a situation which might necessitate the use of an extra section which does not fall within these guidelines. An occasional operation outside the criteria caused by such factors would be acceptable. Continued inconsistent operations, however, would not be acceptable. DOT will monitor future operation of extra sections to determine whether these guidelines are followed. If necessary, further regulatory action will be taken in this connection.

Commuter Slots

In the NPRM, it was proposed that the slots available for scheduled air taxis or commuters be raised to 11 per hour. The scheduled air taxis are currently limited to 8 scheduled operations per hour at National. As a result of a demand for additional short-haul commuter type service to Washington from smaller communities not served by the larger aircraft, there is a large number of commuters on the waiting list for slots at National.

The Washington National Commuter Airline Association (WNCAA) strongly supports the policy but recommends that it should be adjusted to provide for an additional number, as many as nine, of hourly "quiet commuter aircraft operations." In support of this proposal, WNCAA states that the proposed slot numbers for their members would result in a net loss of daily slots. With the suspension of service to small communities in states surrounding National by trunk and local service carriers, WNCAA believes that commuters present the only alternative to service from such points to National Airport. To maintain the proposal's overall environmental integrity, WNCAA proposed that these additional operations be required to meet the nighttime noise restrictions (Departures —72 dBA as generated on takeoff: Arrivals—85 dBA as generated on approach).

A number of commenters (including some at the public hearing) supported some additional authority for commuters. The Dulles Policy Task Force states that although it supports the policy, it is concerned about "one possibly detrimental aspect of the proposed policy: Its impact on continuing adequate service to communities in Virginia." To remedy this, it recommends that special provision be made for additional commuter airline access to National as proposed by WNCAA. Similar comments were submitted by the Attorney General and the Department of Aviation for the Commonwealth of Virginia.

DOT recognizes that the provision of additional authority for commuter operators may have merit. Additional operations by commuter aircraft meeting the nighttime noise levels would not be inconsistent with many of the objectives of this policy. Promulgation of such a provision will be reviewed during the next year in connection with the review of the noise levels themselves. It must be noted that issuance of such a rule at this time would be of little value since all operations at National Airport are limited under the Interim Operations Plan developed in response to the air traffic controller's strike. Under this plan, it is unlikely that the number of commuter operations could increase in the near future. For this reason, further review of this issue will not have an adverse impact.

General Aviation

The number of slots allocated to general aviation operators, "others," will remain at 12 per hour. Under the current regulations and practices, general aviation operators are required to obtain an arrival or departure reservation from air traffic control. The number of general aviation IFR reservations per hour authorized at National is 12 (this is the same number that would be authorized under the previous policy), except that the regulations permit additional operations whenever the aircraft can be accommodated without significant additional delay to the operations allocated for the airport. The number of general aviation operations has remained relatively constant over the past several years, although the number varies on a day-by-day basis. The experience has been that, except in poor weather conditions, the airport has accommodated more than 12 general aviation operations per hour.

Several commenters state that the proposal misplaced priorities by proposing to decrease the number of certificated air carrier aircraft using National in favor of commuter aircraft and general aviation. The criticism relates to the fact that these smaller aircraft use the limited airspace and airport facilities to serve fewer persons than are served by the certificated air carrier aircraft. The criticism would be valid if the FAA's sole obligation were to maximize the number of persons transported through National Airport. However, National Airport is already being used beyond the design capacity of its terminal and roadways. The 1977 study performed for the FAA by the firm of Howard, Needles, Tammen and Bergendoff identified large portions of the public space within the terminal, as well as the curbside and traffic circle area, as inadequate to serve the number of people making demands on those facilities. The reduction of potential air carrier operations in large aircraft and the increase of commuter operations to smaller communities promotes the FAA's objective of relieving the overuse of National while tending to promote use of Dulles for air carrier service.

Additional Reservations

With further regard to slots, the FAA is amending § 93.129 to clarify the regulations to provide that air carriers [1] at National are ineligible for additional reservations beyond those allocated under FAR § 93.123. On December 16, 1980, the FAA issued Notice No. 80-26 (45 FR 84380; December 22, 1980) which proposed clarification of the method by which aircraft operators can obtain additional reservations or slots. On January 19, 1981, the FAA issued a Supplemental Notice of Proposed Rulemaking (46 FR 8028; February 26, 1981) which proposed modification of the High Density Rule to expressly codify the method by which additional IFR reservations are to be obtained and when they must be obtained.

When these notices were issued, the proposal applied to all high density airports. This amendment contains a revised limitation on the number of hourly operations at National Airport by air carriers (including air taxis). The objectives of the policy are less achievable if these operators are permitted to substantially exceed the proposed limitations. Some parties have interpreted the current rule to allow as many additional operations as the air traffic control at the airport will accommodate. This was never the intent of the rule and, indeed, only a few carriers have conducted more operations than the number allocated to them. Although these provisions have been in effect for over 10 years, these carriers began these operations within this year. Therefore, the restrictions proposed in Notice No. 80-26 and the Supplemental Notice of Proposed Rulemaking are being adopted to make them applicable to operations at National Airport. Application of these provisions to the other high density airports was not proposed in the July NPRM; this amendment relates only to National Airport. If it is subsequently determined appropriate to clarify the High Density Rule with respect to operations at other high density airports, a separate regulatory effort would need to be considered.

Section 93.129 is amended to provide clearly that scheduled air carriers operating to and from National Airport may not obtain additional reservations beyond those allocated under § 93.123. For the purpose of this section, a scheduled operation would be defined as an operation regularly conducted by an air carrier between National Airport and another point served by that air carrier unless the service is conducted pursuant to the charter or hiring of aircraft, or is a nonpassenger flight. This provision is further amended to make clear that any such "charter" or "hiring" can not be on a regular basis but must be "irregular."

This provision would not affect § 93.123(b)(3) which permits nonscheduled flights of scheduled air carriers to be conducted at Washington National Airport without regard to the limitation of 37 IFR reservations per hour. This rule would also not affect the provisions of § 93.123(b)(4) which provide that extra sections of scheduled air carrier flights may be conducted without regard to the limitation on hourly IFR reservations. The extra section authority is available to any carrier with a slot for a regularly scheduled operation. The extra section rule is intended to accommodate operations, the necessity of which an operator cannot precisely predict. They are not scheduled operations and it would be impractical to obtain permanent slots for such operations. Regularly scheduled operations do not have the same uncertainty and, thus, require slots. As modified, the rule will allow air carriers to utilize § 93.129 on an occasional basis for positioning or to replace inoperative aircraft.

New § 93.219(d) makes regulatory the longstanding method by which an operator obtains additional IFR reservations at a high density airport. In 1969, the NPRM originally proposing the High Density Rule stated:

> For flights between two high density airports, approved reservations for the takeoff and arrival would have to be obtained prior to takeoff. After receipt of the approval, the operator would file an IFR flight plan in the usual manner.

This procedure has been used since the rule was first promulgated, more than a decade ago. Currently, Advisory Circular No. 90-43D, "Operations Reservations for High Density Traffic Airports," sets forth the method by which additional IFR reservations are to be obtained from air traffic control. Additional IFR reservations can only be obtained by contacting the FAA Airport Reservation Office (ARO) directly or by submitting a request for reservation to the nearest Flight Service Station. The air traffic control towers are not authorized to grant additional IFR slots nor does the fact that the tower permits the operation to occur constitute an authorization under the High Density Rule. Air traffic control towers do not turn aircraft away; their function relates to handling the traffic that comes to them safely. Therefore, the intended practice has always been that an operator proposing to fly IFR to or from a high density airport must obtain a reservation not from the tower but by allocation under § 93.123 or from the ARO prior to takeoff. This practice is adopted in the regulations.

Until a reservation at National is obtained, the operator may not file its IFR flight plan. Furthermore, an operator flying to National must have an IFR reservation for the arrival airport even if it intends to change the operation to VFR during flight. Of course, an air carrier departing National will be required to have an IFR reservation for the departure airport before it files its IFR flight plan. This amendment is not intended to change the practice of allowing operators to file IFR flight plans with the FAA for computer storage.

The FAA recognizes that the prohibition of VFR operations by air carriers may initially curtail competition in the Northeast corridor markets. However, this problem can be addressed in the slot allocation process. The carriers must realize that even apart from the air traffic controllers' strike, the demand for slots at National now far exceeds the available supply. In these circumstances, carrier management should begin an assessment of their service to Washington with an eye towards voluntarily shifting to Dulles or BWI some or all of its service and thus avoid the slot allocation difficulties at DCA. DOT has taken action to make service to Dulles more attractive to carriers by reducing landing fees and mobile lounge charges and these incentives will continue. Moreover, in view of the planned improvements in groundside access to Dulles, some of which are underway, DOT believes Dulles may become an extremely attractive alternative for carrier management.[2]

Hours of Operation and Noise Levels

3. There will continue to be no restriction on the operating hours of Washington National Airport. The noise level limitations (§ 159.40) will effectively control nighttime and early

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[1] The term "air carrier" as used in the Federal Aviation Regulations is defined in 14 CFR 1.1 as, "a person who undertakes directly by lease, or other arrangement, to engage in air transportation."

[2] It might be argued that a carrier having to move service to Dulles would be placed at a competitive disadvantage. However, as the programs for increased utilization of Dulles become effective and more traffic begins to utilize that facility, any perceived competitive advantage to National is likely to disappear. Moreover, as more air service is operated through Dulles, there will be increased opportunity for carriers to obtain connecting traffic.

morning operations. This approach provides meaningful noise relief, does not penalize the operators of newer technology, quieter aircraft, and provides incentive for other operators to use quieter aircraft.

The NPRM proposed day and night noise limits for aircraft operating at National. Many objections to the noise limits were voiced by the airlines and the equipment manufacturers. The most significant criticisms of the proposal were that the daytime levels for 1986 imposed more stringent noise limits on National Airport than Congress imposed on the aircraft manufacturers, the result being that even after the great cost of retrofitting aircraft and purchasing new aircraft which meet the noise standards for FAA certification, the operators would still not have aircraft able to operate at National Airport. Some commenters asserted that application of these standards at other major airports would also impose an economic burden on the carriers requiring capital that may not be available within the time frames proposed based upon anticipated revenues. The most compelling argument is that there may not be sufficient quiet aircraft to replace the noncomplying aircraft under the 1986 standards.

The Boeing Company does not believe that there are sufficient complying aircraft in the fleet or on order to meet the proposed 1986 noise limits. Boeing and several air carriers estimate that to comply with the limits proposed for National, the carriers would need almost 500 "quiet" airplanes, and only about half of that number might be available. The proposed 1986 daytime noise limits would have eliminated from the airport most air carrier aircraft that now exist. The Air Transport Association (ATA) states that only 113 Stage 3 aircraft appropriate for use at National under the proposed policy are now on order and will be in use by the operators at the end of 1986. To maintain existing service at National, ATA claims that the carriers would be required to purchase or reengine over 350 additional aircraft by 1986. Although DOT is not prepared to acknowledge that these comments are accurate, the comments do reflect concern by the air carriers about their ability to function under the proposal. It is, therefore, appropriate to conduct additional analysis of fleet availability before such a rule is adopted. A final rule which could cause severe financial and service repercussions would not benefit anyone.

Instead of issuing daytime noise limits at this time, a DOT task force will further review the impact of the noise proposals. This task force will closely examine the critical issue, which is the availability of "quiet" aircraft. All interested parties including carriers, manufacturers, and representatives of the local community will be asked to supply information as part of this review. All parties are asked to cooperate in this effort. The task force will also consider appropriate noise levels and implementation dates as well as alternative types of noise standards.

Although the uncertainty of potential impact of the proposed daytime (7:00 a.m. to 10:00 p.m.) noise limits necessitates delay of their implementation, there is no similar reason to postpone the nighttime (10:00 p.m. to 7:00 a.m.) limits. Some commenters state that these standards also conflict with nationwide compliance schedules. However, the certification standards of FAR, Part 36, and the noise compliance program of Part 91, Subpart E, permit differing local standards and disclaim any intention of specifying what noise levels are to be acceptable or unacceptable at individual airports. Also, Congressional actions and judicial decisions have consistently recognized the rights of airport proprietors to control noise at their airports as long as the restrictions are consistent with the goals of the Federal Aviation Act, the Airline Deregulation Act and Airport and Airway Development Act, and do not otherwise unduly burden interstate commerce. For example, the Aviation Safety and Noise Abatement Act, Section 104(a), provides a process by which a proprietor may implement a restriction on the use of such airport by any type or class of aircraft based on the noise characteristics of such aircraft.

Significantly, at National Airport there is a long history of nighttime noise restrictions. Since 1960, the air carriers have not scheduled jet operations to occur after 10:00 p.m. and prior to 7:00 a.m. General aviation aircraft jets are requested not to operate after 11:00 p.m. and before 7:00 a.m. Indeed, only about 5 percent of all of National's operations occur between 10:00 p.m. and 7:00 a.m.

Most of the carrier operations in these hours occur between 6:00 a.m. and 7:00 a.m. or between 10:00 p.m. and 11:00 p.m. and are conducted by commuters with piston or turboprop aircraft. Unlike the situation with the daytime limits it is undisputed that the commuter carriers have quiet, suitable aircraft that meet these standards available for commuter use. Therefore, the nighttime noise standards are achievable without imposing serious, impractical repercussions on the air carrier industry. It should also be noted that the FAA provides the Washington area and the national aviation community with an unrestricted 24-hour facility at Dulles where the aircraft that do not comply with National's nighttime noise standards are able to operate.

The noise limits established under this rule are as follows:

Departures, 10:00 p.m. through 6:59 a.m.: 72 dBA as determined on takeoff.

Arrivals, 10:00 p.m. through 6:59 a.m.: 85 dBA as determined on approach.

The nighttime noise limits will apply to all aircraft operating in this time period regardless of when the operation was scheduled to occur, except that aircraft scheduled to arrive before 10:00 p.m. will be permitted to land at National if they have received an approach clearance before 10:30 p.m. If such a clearance is not received before that time, the aircraft will have to proceed to another airport if it cannot comply with the nighttime noise limit. It must be noted that the half-hour grace period does not pertain to departures from National; departures that occur after 9:59 p.m. in noncomplying aircraft will be in violation of these regulations.

For the purpose of compliance with this regulation, the noise level produced by an aircraft will be determined from FAA data on noise produced by aircraft types under standardized test conditions. It will not be determined on an operation-by-operation basis. The reference point will be the noise made by aircraft at the Federal Aviation Regulation Part 36 measuring points for approach and takeoff. The approach measuring point is 2,000 meters from the runway threshold under the flight path. The takeoff measuring point is 6,500 meters from the start of the takeoff roll under the flight path. FAA has compiled and tabulated measured or estimated noise data on almost all aircraft types at these points.

FAA Advisory Circular 36-3B, "Estimated Airplane Noise Levels in A-Weighted Decibels," November, 1981 (copy in this docket), or the latest version thereof will be used to determine the aircraft's noise and will be incorporated by reference into the regulation. Compliance will be based upon comparison with the data in the advisory circular, not upon a monitoring of individual aircraft operations. By using this method, aircraft operators will know if their type and model of aircraft will comply with the Washington National Airport noise limits before the operation occurs.

Adjustments based upon the gross weight of the aircraft will not be allowed. If adjustments in gross weight were allowed, it would be difficult to determine whether a given operation meets the noise level limit. Thus, a noncomplying aircraft type will not be allowed to reduce its weight and thereby claim to be in compliance with the rule. Requiring the aircraft to be able to meet the standard when operating at maximum gross weight provides an extra margin of assurance that the noise levels actually produced by the aircraft operating at night will be within the limits prescribed.

Some commenters state that the proposal should not be based upon the Advisory Circular, which they claim is inaccurate and is an incomplete document. However, the proposed noise limitations are based on mutually-consistent estimates of the noise levels generated by various aircraft, operated under directly comparable and repeatable standardized conditions. The criteria proposed are the simplest available, and are related directly to the noise-making characteristics of the various aircraft models and types. Although the Advisory Circular includes data on nearly 300 airframe-engine combinations, certain specific combinations may not be included. These data are available from the FAA's Office of Environment and Energy, if needed. Comparison of the tabulated data with those provided by manufacturers indicates good agreement, especially for aircraft which have been tested for noise certification. A few differences may exist for older aircraft which have never been required to be tested for certification purposes. These differences have been corrected, where found, and will become unimportant as these older aircraft are retired or brought into compliance with FAR, Part 36. The Task Force will further consider these comments as part of its overall review.

The ATA comment that "[a]ircraft noise varies depending upon whether conditions, aircraft weight, flight procedures, aerodynamic configuration, and other factors" is correct. This variation was the reason that noise levels under the well-defined testing and operating conditions of FAR, Part 36, were proposed for use as noise limitations. Without such standardized and clearly understood conditions, the large number of variables involved would prevent a consistent comparison of the pertinent noise characteristics of a wide group of aircraft. Such a comparison cannot possibly take into account all of the day-to-day variables under which aircraft operate. The "ranking" of the noise characteristics of various aircraft using standardized test procedures eliminates these variables to provide a consistent comparison among the various types.

FAA does not intend to enforce the noise limits by measuring the noise from individual aircraft operations at a point on the ground because such enforcement may cause pilots to attempt to "beat the meter" with power cutbacks and maneuvers which reduce noise at that one point. These maneuvers may actually increase noise exposure to other areas. In addition, such maneuvering around the meter may not be in the best interest of safety. Basing the noise limits on aircraft type and model eliminates these problems. Use of type also promotes consistency and predictability for operators. If each individual operation is measured, an aircraft that complies one day may not comply the next day because atmospheric conditions have changed. Noise levels for the same type of aircraft, following the same flight path, may vary within a range of 20 decibels due to meteorological conditions. Thus, even if a pilot flies exactly the same pattern and operating procedure during each flight, he cannot be assured that he will not exceed a set noise level at one or more microphones on the ground.

ATA claims that the proposal used "three confusing and inconsistent measurements of aircraft noise (i.e., peak dBA, SEL, and EPNdB)." The noise certification standards of FAR, Part 36, initially issued in 1969, incorporate Effective Perceived Noise Level in decibels (EPNdB) as the unit of measurement. This unit was then, and continues to be, the most reliable indicator of public annoyance with aircraft noise. It is a somewhat complex unit, however, and cannot be measured directly by ordinary instrumentation. For land-use compatibility purposes, the A-Weighted Sound Level (dBA) is used primarily and has been adopted broadly for representing noise impacts on community activities (see "Guidelines for Considering Noise in Land Use Planning and Control," Federal Interagency Committee on Urban Noise, June 1980, and American National Standards S3.23–1980, "Sound Level Descriptors for Determination of Compatible Land Use"). This unit was adopted as the single system of measuring single-event noise at airports in FAR, Part 150, and is appropriate for use in imposing noise limitations for aircraft. It is directly measurable, using relatively unsophisticated instrumentation. A-Weighted Sound Level (dBA) is also the noise unit specified in FAR, Part 36, for noise certification of small propeller-driven aircraft. No noise limitations are specified in terms of Sound Exposure Level (SEL).

During the comment period, a great deal of concern was expressed about the nighttime noise limits. The supplement to the Environmental Impact Statement indicates that an aircraft type that produces a takeoff noise level of 72 dBA[3] or less, measured at maximum gross weight under FAA aircraft takeoff noise certification conditions, will produce no increase in the cumulative noise to which the community around National is exposed. That is, aircraft that can meet this nighttime noise limitation can operate at National without measurably altering the noise exposure as depicted in FAA's August 1980 Environmental Impact Statement (EIS) on the Metropolitan Washington Airports Policy.

A limit of 72 dBA for takeoff noise at the certification measuring point (6,500 meters from the start of the takeoff roll) will not produce noise levels that intrude upon any residences in the area. No large jet aircraft will be able to take off under this standard. Therefore, air carrier activity, except for some commuter operations in complying turboprop aircraft, will be greatly diminished. Also, some small general aviation jets can meet this standard. For the quieter aircraft that do operate, procedures will be in effect which direct operations to be over the Potomac River for a certain distance (10 miles north or 5 miles south) or until an altitude of 2,000 feet is reached. Under these procedures, the 72 dBA contour does not include any residential areas and, according to the environmental study, persons inside their homes will be exposed to no more than 50–55 dBA. This level should cause no interference or annoyance to most persons, even at night.

The FAA has been requested by the Metropolitan Washington Council of Governments to test a modification of the flight paths that currently channel almost all operations up and down the Potomac River corridor by experimenting with a scatter type of program. The FAA is currently evaluating the impact of this proposal. The scatter plan, if it were tested, would apply to jet aircraft only; turboprops would remain in the existing flight paths. Also, the test would not apply from 10:00 p.m. to 7:00 a.m.

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[3] A-weighted decibels are decibels measured with an adjustment that emphasizes sound frequencies heard by the human ear, as opposed to treating all measured frequencies equally.

The approach noise limit of 85 dBA has caused a great deal of confusion. Approach noise is measured 2,000 meters from the end of the runway when the aircraft is at a very low (approximately 400 feet) altitude, just prior to landing. Only very quiet aircraft are capable of achieving 85 dBA or less at this point when flown at maximum certificated gross landing weight, and these are the only aircraft that will be permitted under this regulation. An approach noise level of 85 dBA, measured under certification conditions, will not alter the cumulative noise level contours, as depicted in the August 1980 EIS, and will not intrude upon residences. An aircraft which produces 72 dBA under the specified takeoff conditions will measure approximately 85 dBA under the specified approach conditions. Thus, 85 dBA on approach is set as the level not to be exceeded. According to the Environmental Impact Statement, persons inside their homes along the Potomac River corridor will be exposed to no more than 50–55 dBA as a result of such approaches, and this should cause no interference or sleep interruption.

Several comments were received about the appropriateness of using the Federal Aviation Regulation Part 36 noise testing procedures. Part 36 specifies three noise tests and includes the manner in which the test aircraft must be operated for those tests. Part 36 also specified standard meteorological test conditions and the manner in which the test results are corrected for nonstandard conditions or operational procedures. Thus, Part 36 provides standardized and repeatable tests through which aircraft noise may be measured accurately and consistently.

The noise limitations adopts two of the three Part 36 tests as criteria for determining the relative noisiness of aircraft models and types, and for determining which aircraft may be used for nighttime operations at Washington National Airport on the basis of noise. The possible paradox from having two noise criteria during the night is acceptable since, for example, an aircraft which can meet the arrival noise limit, but not the departure noise limit, may land during nighttime hours and depart the following day. As noted above, the nighttime arrival noise limit of 85 dBA is approximately the same degree of stringency as the nighttime departure noise limit of 72 dBA. As tabulated in the Final Supplement to the August 1980 Environmental Impact Statement, the aircraft models and types which meet one criterion generally meet the other criterion also.

At present, on an average night, there are 50–55 operations between 10:00 p.m. and 7:00 a.m. and only 10–25 operations between midnight and 7:00 a.m. Approximately 12–18 operations after 10:00 p.m. are by aircraft that exceed the adopted noise limit. These aircraft will no longer be permitted to operate during the night hours. It is possible that the number of operations of complying aircraft will increase. Some commuter air carriers may provide late night and early morning scheduled connecting services with complying aircraft. This could add an estimated 4 to 16 operations to National. However, FAA does not expect any significant increase in nighttime air carrier traffic.

Compliance will be determined at the time the aircraft is cleared for takeoff or at the time the aircraft is cleared for approach. The half-hour grace period for scheduled arrivals will allow for delays en route. The FAA expects that air carriers will schedule operations realistically to arrive before the 10:00 p.m. time period. An operation which frequently arrives past its scheduled time of arrival will not meet this criterion. If monitoring reveals that the carriers are abusing the grace period, the FAA may take additional regulatory action.

It must be emphasized that this limited exception will only apply to arrivals. The noise limits applicable to departures are based upon the actual time of departure, not the scheduled time. Therefore, to assure that their aircraft can comply with the rule, the air carriers may be expected not to schedule operations close to 10:00 p.m. This should have the effect of further reducing noise in the 9:00 p.m. to 10:00 p.m. hours.

Some commenters stated that the strict arrival and departure time deadlines do not take into account air traffic delays or weather problems. However, the carriers can make scheduling adjustments to anticipate these types of problems. Carriers often take similar types of restraints into consideration when they schedule operations. Those carriers that anticipate that it will be difficult to schedule late night operations as a result of these requirements are reminded that those operations can be accommodated at Dulles or BWI.

Several commenters suggested that the nighttime noise limits be replaced by voluntary agreement. Recent experience has clearly shown that some air carriers are not reluctant to ignore voluntary agreements. Thus, such an agreement in lieu of a rule does not provide any assurance that the stated noise objectives would be accomplished. Moreover, under the present "voluntary" agreement, the carriers do not schedule operations after 10:00 p.m. However, they often operate well after this time. These late operations will be reduced under this rule, unless the aircraft complies with the established noise limits.

In order to help explain the operation of noise level limitations, the following examples are provided:

1. Airline X (or commuter or a general aviation operator) has an operation scheduled to arrive at 8:50 p.m. and the airplane arrives on time. That aircraft is not subject to a noise level restriction.
2. Airline X has an operation scheduled to depart at 9:45 p.m. and does depart as scheduled. No noise limit applies for that particular aircraft.
3. Airline X has an operation scheduled to arrive before 10:00 p.m. and the aircraft has not been cleared for its approach until 10:35 p.m. That aircraft must be able to meet the 85 dBA noise limit as generated on approach. If the aircraft is not capable of meeting that noise limit, then the operator would be required to divert to another airport. Had the aircraft been cleared for its approach before 10:30 p.m., no noise limit would apply.

Persons who violate the regulation by operating an aircraft type or model that does not meet the applicable noise level would be subject to civil penalties as well as arrest and criminal penalties of up to a $500 fine and up to 6 months imprisonment. Section 4 of the Act of June 29, 1940, under 54 Stat. 686; as amended by the Act of May 15, 1947, 61 Stat. 94; and the Federal Aviation Act of 1958 as amended, 49 U.S.C. 1301, et seq.

Some commenters have stated that the noise proposal is inconsistent with Federal Noise Abatement Regulatory Procedures as established in the Aviation Safety and Noise Abatement Act (ASNA Act), Section 105, which requires preparation of noise exposure maps and noise compatibility programs for National and Dulles by February 28, 1982. That requirement does not prohibit establishment of an operating policy prior to those actions. The policy is consistent with FAR, Part 150, mandated by the ASNA Act. FAR Part 150 specifically established A-Weighted Sound Level as the unit for measurement of single event noise at airports, not SEL (Sound Exposure Level). Further, there has been no evidence presented to FAA which shows that Part 150 fails to establish a highly reliable system of measuring noise. Therefore, this criticism is unfounded.

Other commenters stated that these standards are inconsistent with the Federal Aviation Act. The statutory tests of Section 611(d) of the Act were considered in adopting the noise limitations. They are consistent with the public interest in maintaining a responsive system of air transportation in the face of local opposition to the amount of noise at National: they are technologically practicable, inasmuch as the noise reduction technology, to satisfy the noise limits, has been demonstrated and is available; and they are effective in reducing noise.

ATA comments that the Draft Supplemental EIS is deficient in that it does not evaluate the "real costs" of the proposed policy. Monetary costs and benefits are assessed in the Regulatory Evaluation, not the EIS. The intent of the EIS is to evaluate the environmental consequences of alternative actions (policies), but not necessarily expressed in monetary terms. In response to comments that the apparent differences in the noise impacts found in the August 1980 EIS and the July 1981 Draft Supplemental EIS are not explained, these differences are explained in the Final Supplemental EIS (page III-1, *et seq.*). ATA comments that all reasonable alternatives were not analyzed, and that those not considered were not identified. The August 1980 and the Supplemental EIS's identified 35 alternatives and provided full analysis of 8 of these. In keeping with CEQ regulations, the Final Supplemental EIS is concise and no longer than necessary to meet regulations (40 CFR 1502.2(c)). ATA also believes that the proposed "scatter plan" for National should have been considered, along with "the encouragement of compatible land-use controls and voluntary limits on operations during hours sensitive to noise." The "scatter plan" was explicitly excluded from consideration (Final Supplemental EIS, page III-11) since its benefits, if any, will be equally effective under whichever policy may be adopted. The encouragement of land-use controls and the voluntary curfew have already been in effect and proven unsatisfactory.

Since the implementation of the nighttime noise levels will require some adjustment to air carrier schedules, these levels will not become effective immediately. Approximately 90 days, the same lead time necessary for submittal of schedules under the Interim Operations Plan, is a sufficient amount of time to complete the necessary adjustments required by this rule. Therefore, the noise levels contained in § 159.40 will become effective on March 1, 1982.

4. New Technology and Wide-Body Aircraft

Section 159.59(a) provides that air carrier aircraft not currently in regular operation at National will not be allowed to operate at National until the Administrator has determined that operation of the aircraft at National meets appropriate safety concerns. If such a determination is made, such aircraft can operate only if the Director of the Metropolitan Washington Airports determines that the proposed operation is compatible with the airport's facilities. This means that new model aircraft and the existing wide-body aircraft, such as the A-300, DC-10 and L-1011, remain precluded from operating at National.

A sufficient number of questions remain about these aircraft to warrant their review on a model-by-model basis. First, the public interest requires greater knowledge of aircraft performance on National's short runways in rain and in poor visibility. There is also concern over the appropriateness of these aircraft consistently using the curving approach to National's Runway 18 which, due to wind conditions, is used for approximately 45 percent of all arrivals. Also, there are possible groundside problems. The maneuvering areas required for these aircraft could pose wing-tip clearance problems at National. Also, the ramp and taxiway areas affected by the engine exhaust velocities of the larger aircraft are significant. These areas are already extremely limited at National. The terminal and roadways currently experience extreme pedestrian and vehicle congestion during peak hours. The additional surge of passengers occasioned by wide-body aircraft and persons meeting them or accompanying them to the airport has the potential to swell the peak hour demands on the airport's facilities to cause even greater delays. While the facility problems might be corrected with physical redevelopment, that remedy is at least several years away from fruition.

Some commenters have asked whether the FAA's standards for use of wide body aircraft at National will be different from the standards used for other airports. While airports may be similar in many respects, each airport presents unique operational considerations which must be independently assessed in connection with proposed aircraft service into that airport. Although many of the standards to be applied for the acceptance of service at National will be similar to those used at other airports, there are considerations such as the curved approach from the North that are peculiar to National that the Administrator will weigh in making his determinations.

Consequently, wide-body and new technology aircraft will not be allowed to use National until these critical safety issues are resolved to the satisfaction of the Administrator. Moreover, the Director will have the authority to request the air carrier to submit a plan describing how the aircraft operation would be compatible with the airport's facilities, including a description of the scheduling and gate positions to be used. The Director may withhold permission to use the airport for wide-body operations until the compatibility of the operation with National Airport's apron, gate, baggage and passenger handling, or roadway facilities is resolved.

5. Nonstop Service Restrictions

The amendment to § 159.60 establishes the nonstop perimeter for Washington National at 1,000 statute miles, with no exceptions. This will change the existing regulation, which prohibits nonstop operations to and from National beyond 650 miles except for seven cities located between 650 miles and 1,000 miles away. This would permit cities beyond 650 statute miles, but closer than the grandfathered cities, to have nonstop service via National. Cities of equal distance would be treated equally. The perimeter would maintain the long-haul nonstop service at Dulles and BWI which otherwise would preempt shorter haul service at National. This is most consistent with the roles proposed for National Airport as a short/medium-haul facility and for Dulles as an unrestricted facility available for all types of operations.

The existing 650 mile regulation was adopted on May 26, 1981 as interim measure to preserve the longstanding voluntary nonstop restrictions pending this Department's review of the entire MWA Policy including the 1,000 mile proposal (46 FR 28632; May 28 1981). That amendment was in response to announcements by various carriers that they intended to commence new nonstop service in violation of a longstanding agreement to limit nonstop operations to and from National. Prior to that date, and since 1966, the 650-mile perimeter with seven exceptions existed by agreement between the FAA and the air carriers. In 1966, concern over the introduction into National of jet aircraft such as the Boeing 727 led to the perimeter agreement that was approved by the Civil Aeronautics Board on May 25, 1966. The agreement was intended to avoid conflict with the further development of Dulles Airport. Dulles opened in 1962 and was designed for a long-haul jet aircraft services. The airlines agreed to the 650 mile perimeter in order to preserve the long-haul and short-haul roles prescribed for Dulles and National. Cities that were beyond 650 miles, but within 1,000 miles, were permitted to maintain nonstop service to National if they had nonstop service as of December 1, 1965. These cities to which service has been maintained to the present, are Minneapolis, St. Louis, Memphis, Miami, Orlando, Tampa, and West Palm Beach.

The 1,000-mile rule eliminates the potential inequity that comes from the continued grandfathering of these seven cities. In recent years other cities beyond 650 miles and within 1,000 miles have sought nonstop service to Washington via National. A city such as Ft. Lauderdale, Florida, has been denied nonstop service via National while adjacent Miami has not; Birmingham, Alabama, which is slightly beyond 650 miles from National has not had nonstop service while Minneapolis, approximately 1,000 miles away, has had such service. In addition to Ft. Lauderdale and Birmingham, Kansas City, New Orleans and others may now receive consideration by airlines for nonstop service. For these cities, this decision removes a legal prohibition regarding nonstop service via National Airport. Of course, the decision to provide nonstop service to any point remains that of the individual airlines.

It was not FAA's intention to cause significant changes in service patterns as eliminating the perimeter, or as establishing a 500 mile or 650 mile perimeter, without the grandfather cities, would do. Although more cities will now be eligible for nonstop service via National, the intermediate stop eliminated by the carriers is most likely to be at one of the heavily served hub airports at Atlanta, Chicago or St. Louis. Therefore, this amendment is not expected to create a significant change in service patterns or to affect service to smaller communities. It is not an expansion of the perimeter beyond the 1,000 mile nonstop distance permitted today. The longer haul nonstop flights from Washington to markets such as Denver, Colorado, Dallas and Houston, Texas, and beyond will remain at Dulles or BWI.

Both the 650 mile and the 1,000 mile perimeter regulations have been challenged in a lawsuit brought by various parties. (*City of Houston v. FAA*, Fifth Cir. No. 80-2030, and consolidated cases Nos. 80-2251 and 81-4194). The principal legal issues are whether the FAA has authority to restrict the stage length of commercial air carrier flights to and from National, whether that authority is being exercised in a reasonable fashion, whether certain constitutional provisions are being violated, and whether the FAA's rulemaking procedures were proper. As proprietor of both National and Dulles Airports, FAA is empowered to promulgate regulations differentiating between the kind of air service provided at those airports. Furthermore, this amendment is not in violation of either the constitutionally protected right to travel or the constitutional prohibition against laws giving preference to the ports of one State over the ports of another.

It must be noted that by letter dated October 14, 1981, Pan American World Airways, one of the litigants challenging the existing perimeter rule in Court, has reversed its position. Pan Am stated that:

> It finds the proposal (NPRM) to represent a fair and reasonable approach that will resolve the future of National and permit air carriers to make long-range plans concerning equipment purchases and route structuring * * * Pan Am initially had opposed the proposed 1,000 miles nonstop perimeter at National among other features of the proposed policy, because of its desire to provide nonstop service between National and such mid-continent cities as Houston, Texas. While Pan Am still hopes that nonstop Washington National/Houston service may one day be possible, it has concluded that DOT's overall policy is equitable and deserves Pan Am's support.

The City of Houston and several airlines have contended that the regulation discriminates against the cities that lie beyond the perimeter and imposes a competitive disadvantage on the airlines that serve them by requiring an uneconomical stop. The City of Houston has also contended that the perimeter fails to accomplish FAA's objective of maintaining distinctive long-haul and short-haul roles because many travelers prefer one stop and multiple stop flights from National to points beyond the perimeter rather than nonstop flights from Dulles.

The institution of the 1,000 mile perimeter in this amendment is not inconsistent with the Airline Deregulation Act of 1978 since Dulles, which is also under the direct control of the FAA, is available to any carrier wishing to serve Washington, D.C., from a point outside the perimeter. FAA is charged by law with the proprietary responsibility for National and Dulles Airports and has been granted the power to regulate for the protection of the airports. As stated in the NPRM, "It is FAA's responsibility and not the responsibility of distant communities to ameliorate the Washington area's local problems of noise and congestion created by National Airport." The differentiation between Dulles and National, as fostered by the perimeter, is a proper way of preventing the imbalances in the use of the Washington's airports. DOT's commitment to provide the Airport services needed for Washington, D.C., is not diminished by the perimeter. As the proprietor of both airports FAA can legally assure the availability of Dulles Airport (there are no restrictions on service at Dulles) to serve the needs of air commerce to and from the Washington Metropolitan Area. Also, the perimeter rule does not preclude nonstop service to Washington from anywhere in the country via Dulles Airport or BWI. Points beyond the perimeter currently receive one stop service via National and nonstop service via Dulles or BWI; nothing in the rulemaking should cause any deterioration of that service.

It should also be noted that the FAA has long recognized that an airport proprietor with control of two or more airports serving the same area can take reasonable action to determine the nature of service provided to one airport so long as the proprietor's other airport(s) remains available to accommodate fully the other types of operations.

Further, the perimeter is important to maintaining domestic traffic patterns at Dulles. The airlines indicated in their comments on the perimeter rule, and by their scheduling practices, that they will leave Dulles to concentrate their activity at National to the extent permitted by the FAA. For example, in July, 1981 (prior to the air traffic controllers strike), there were 94 nonstop flights daily between the grandfather cities and National, and there was not one nonstop flight available at Dulles to these seven major markets. Due to the perimeter the nonstop flights to Dallas-Fort Worth, Houston and Denver remain at Dulles and constitute approximately one third of all of the daily domestic service at that Airport. In the absence of the perimeter, it is likely that the one stop flights to these cities from National will become nonstop flights and the nonstop service will be moved from Dulles. The loss of service to these cities could cripple the domestic service patterns at Dulles thereby leading FAA away from the purposes of this MWA Policy:

Finding a solution to the over concentration of activity at National.

Finally, FAA does not agree with the contention that National is the airport of preference for almost all air travelers to and from the Washington area. FAA believes that a significant number of travelers would prefer to use Dulles if the flights were available. For example, the flights by American Airlines from National to Dallas-Fort Worth via Dulles have produced significant load factors at Dulles. On an average, 42.5 percent of the passengers board or disembark at Dulles, indicating that Dulles is the preferred airport for a significant number of travelers in this market.

National Airport will always be more convenient to downtown Washington. However, the population growth in the areas west of the District of Columbia has been very substantial and that growth trend will continue. The COG forecasts show that Montgomery County, Maryland, and other northern Virginia communities will experience rapid and substantial growth. And while the District will remain the employment center, for the foreseeable future, COG forecasts that there will be approximately 300,000 employees in Fairfax County in 1990. It will be the most populous jurisdiction in area is 45 minutes or less. It is now approximately 50 to 60 minutes from the downtown area, and this time will be reduced when the access highway and Interstate 66 are connected as envisioned when the Dulles Airport was planned. FAA will continue to make efforts to improve travel time to Dulles, but FAA does not consider today's travel times to be excessive or burdensome.

6. Nonregulatory Aspects

The nonregulatory aspects of the policy proposed here are essentially the same as the policy adopted in August 1980. Appropriate master planning and small scale rehabilitation and improvement of the facilities at National will be undertaken by the Director of the Metropolitan Washington Airports, and FAA will continue with plans to improve ground access to Dulles.

General Comments

Slot Allocation

The reduction in air carrier slots from 40 per hour to 37 has been criticized for exacerbating the already stressed slot allocation issues surrounding National. Although some commenters stated that implementation of an allocation mechanism should be a part of this policy, DOT notes that the slot allocation issues are being addressed through the mechanism of a separate rulemaking which is currently open. In the meantime, DOT hopes that the airline scheduling committee process will continue to function until the Department completes analysis of the alternatives. If the scheduling committee does not agree upon a slot allocation for a scheduling period, then DOT reserves the right to allocate the slots by direct allocation, by a slot auction, or by other appropriate procedures. These allocation alternatives are discussed in a separate rulemaking (Notice 80-16) issued by DOT on October 21, 1980.

If DOT is forced to allocate slots directly, a procedure will be utilized which provides sufficient flexibility to meet the demands for existing service. The establishment of a base period for any necessary allocation will reflect the concerns expressed by the House of Representatives in the FY 1982 DOT Appropriations Bill passed by the House on September 10, 1981. Therefore, DOT will be considering the average daily number of operations conducted by each carrier during the week of July 28, 1981, as the basis for any slot allocation as opposed to any prior slot assignments.

Any DOT allocation, consistent with concern expressed in Senate Report No. 97-253 on the Department of Transportation and Related Agencies Appropriation Bill, 1982, will strive to minimize shifts in existing service which might be detrimental to the travelling public. At the same time, DOT is committed to competitive access at National Airport. Under its present rules, the Airline Scheduling Committee provides for access by new carriers every six months; the Committee rule of unanimous consent means that any carrier dissatisfied with the number of slots it would receive can veto an agreement. If the Committee fails to reach agreement and DOT is obliged to allocate slots, access by any new carriers will likewise be given every consideration. In addition, DOT will move towards adopting a method of allocation consistent with a competitive air transportation system by completing the outstanding rulemaking on this subject. In any allocation system which offers access to all new entrants and permits reallocation among incumbent carriers (as does the system for Washington National), carrier management will find it necessary to make economic decisions regarding the most efficient use of their Washington National slots. Thus, if they find their slot allocations reduced, for example to accommodate a new entrant, they must choose which points they will continue to serve from National and those for which service must be shifted to another Washington Airport. These decisions, however, are not inconsistent with a competitive air transportation system since they are made by carrier management in its sole discretion.

Small Community Service

Commenters expressed concern over maintaining slots for carriers who serve small communities. The Department is aware of the trend of the larger air carriers to discontinue service to such markets in favor of the higher volume markets. However, this trend by the carriers to concentrate on larger markets is national in scope and is clearly not a result of the Metropolitan Washington Airports Policy. The amendment will not produce a substantial reduction in the number of actual operations occurring today. There can be no assurance, however, that any additional air carrier or air taxis slots at National Airport would be used to serve smaller communities.

Even with slot reductions at National, no community will be deprived of air service to Washington, D.C., because of an unavailability of airport facilities. Dulles Airport will remain available to accommodate all air service to the Washington metropolitan area.

Precedential Effect

Several commenters raise questions about the proposals in general. Some commenters suggest that other airport proprietors might issue limitations similar to those promulgated for National. They argue that this could have national implications. These rules, however, are issued under unique circumstances. They are being issued by the Federal proprietor of two airports serving the same metropolitan area. The nighttime noise limits at National are tailored for the conditions existing there and are not necessarily appropriate for other airports nor do they create any new authority for other proprietors. Similar regulations could violate constitutional, statutory, or contractural requirements if imposed at particular airports.

Air Traffic Controllers Strike

Several commenters have suggested that because the air controllers' strike has reduced the number of flights at National below the level which the policy would authorize, there is no need to put the policy into effect. The FAA disagrees. A policy for Washington airports has been under consideration for years and its goals are long term goals, transcending the effects of the temporary air traffic reductions due to the strike. All aspects of the policy have been thoroughly considered. After all of the effort, including a vast amount of public input, postponement, even temporarily, would be inconsistent with achieving the long term goals of the policy.

In addition, promulgation of these rules at this date will have a minimal affect on the system. No carrier will have to reduce flights, since the current number of operations at National is below the number that will be available under the policy. Therefore, immediate implementation of the policy will not result in any disruption or hardship. This would not be the case if the policy were deferred until after operations return to their pre-strike level. Furthermore, there are aspects of the policy, such as the nighttime noise level restrictions, that will have an immediate effect even with the current reductions. For these reasons, issuance of this policy will not be further delayed.

Petition of New York Air For Clarification or Interpretation

On February 20, 1981, New York Air petitioned the FAA to clarify or interpret the High Density Rule (FAR Part 93, Subpart K) to give high priority access to operations in the Northeast Corridor. While not specifying the changes sought, New York Air's petition essentially seeks to have slots for the Northeast Corridor set aside or not counted in the regulation which restricts the number of scheduled operations at LaGuardia Airport as well as at Washington National. The petition asserted that there is extensive demand for air service within the corridor and criticized the regulation as being biased in favor of the Eastern Airlines Shuttle because extra section operations do not require a slot.

The petition was treated as a petition for rulemaking in accordance with 14 CFR 11.25. As such, it was published in the **Federal Register** (46 FR 21187; April 9, 1981). A number of comments were submitted in response to the publication. All comments submitted were in opposition to the petition.

Petitioner's contention that the extra section provision was adopted in order to allow airlines operating in the Northeast Corridor to have a priority access over other airlines serving these airports is incorrect. The purpose of this provision is explained above. The extra section provision, while utilized by the Eastern Shuttle, was not created for Northeast Corridor operations and is, in fact, applicable to operations at other high density airports, including Chicago O'Hare.

As to petitioner's complaint that the exemption for extra sections has been misused, FAA intends to make certain that such misuse does not occur. But FAA does not view the fact that Eastern has chosen to operate a shuttle, in a way that the rule permits, as placing New York Air at an unfair competitive disadvantage. The rule's provisions, its exceptions, as well as its restrictions, are available to all carriers.

For these reasons, New York Air's petition is denied.

Revocation of Prior Metropolitan Washington Airports Policy

FAA has decided that to minimize any possible confusion, it will not amend the policy issued in August 1980. Rather, that policy, and implementing regulations issued on September 15, 1980 which were to be effective on November 30, 1981, are hereby revoked, and replaced with this policy statement and implementing regulations. Therefore, Amendments 93–37 and 159–20 (45 FR 62406; September 18, 1980) are revoked.

Effective Date

These regulations are effective on December 6, 1981, except that § 159.40 (Nighttime Noise Limitations) is effective on February 2, 1982. The revocation of Amendments 93–37 and 159–20 is effective on November 19, 1981. In large measure, these actions will relieve restrictions. If these actions were delayed further, the former policy would become effective for a limited period of time or would have to be delayed for a limited period of time on an emergency basis. Therefore, good cause is found for making this amendment and revocation effective less than 30 days after **Federal Register** publication.

Final Rules

Accordingly, Subpart K of Part 93 of the Federal Aviation Regulations (14 CFR Part 93) and Subpart C of Part 159 of the Federal Aviation Regulations (14 CFR Part 159) are amended, effective December 6, 1981, except § 159.40 is effective March 1, 1982.

Amendments 93–37 and 159–20 (45 FR 62406; September 18, 1980) are revoked, effective November 23, 1981, and

PART 93—SPECIAL AIR TRAFFIC RULES AND AIRPORT TRAFFIC PATTERNS

§ 93.123 [Amended]

1. In § 93.123(a), the IFR Operations Per Hour chart is revised to read as follows:

§ 93.123 High Density Traffic Airports.

(a) * * *

IFR OPERATIONS PER HOUR

Class of user	Airport				
	John F. Kennedy	La Guardia	Newark	O'Hare	Washington National[1]
Air Carrier Except Air Taxis	70	48	40	115	37
Scheduled Air Taxis	5	6	10	10	11
Other	5	6	10	10	12

[1] Washington National Airport operations are subject to modifications per § 93.124.

* * * * *

§ 93.123 [Amended]

2. By revising § 93.123(b)(3) and (b)(4) to read as follows:

* * * * *

(b) * * *

(3) The allocation of 37 IFR reservations per hour for air carriers except air taxis at Washington National Airport does not include charter flights, or other nonscheduled flights of scheduled or supplemental air carriers. These flights may be conducted without regard to the limitation of 37 IFR reservations per hour.

(4) The allocation of IFR reservations for air carriers except air taxis at LaGuardia, Newark, O'Hare, and Washington National Airports does not include extra sections of scheduled flights. The allocation of IFR reservations for scheduled air taxis at Washington National Airport does not include extra sections of scheduled flights. These flights may be conducted without regard to the limitation upon the hourly IFR reservations at those airports.

§ 93.123 [Amended]

3. By adding new paragraph (c) to § 93.123 to read as follows:

* * * * *

(c) For operations at Washington National Airport—

(1) The number of operations allocated to "air carriers except air taxis," under paragraph (a) of this section and § 93.124, refers to the number of operations conducted by air carriers with aircraft having a certificated maximum passenger seating capacity of 56 or more or, if used for cargo service in air transportation, with aircraft having a maximum payload capacity of 18,000 pounds or more.

(2) The number of operations allocated to "scheduled air taxis," as used in paragraph (a) of this section and § 93.124, refers to the number of operations conducted by air carriers with aircraft having a certificated maximum passenger seating capacity of

less than 56 or. if used for cargo service in air transportation. with aircraft having a maximum payload capacity of less than 18.000 pounds.

§ 93.124 [New]

4. By adding new § 93.124 as follows:

§ 93.124 Modification of Allocation: Washington National Airport.

(a) Each January. the projected number of passengers enplaning and deplaning at Washington National Airport will be forecast and published by FAA for a 12-month period. from April to April.

(b) The hourly number of reservations allocated to air carriers except air taxis at Washington National Airport. in accordance with § 93.123. shall be adjusted up or down. as necessary. so that the hourly number of reservations will be one less than the number of hourly reservations that is forecast to produce an annual passenger level of 16 million. This adjustment shall be published with the forecast described in paragraph (a) of this section. In no event shall the number of hourly reservations allocated to air carriers except air taxis exceed 37. Any reservations removed from air carriers except air taxis shall be added to the number of reservations allocated to scheduled air taxis. Any reservations to be added to the allocations for air carriers except air taxis shall be taken from those allocated to scheduled air taxis.

(c) Any change in the number of reservations made as a result of paragraph (b) of this section shall be effective on the last Sunday of the April following the forecast.

§ 93.129 [Amended]

5. By amending § 93.129(a) to insert the words "the operation is not a scheduled operation to or from Washington National Airport and" after the word "if" and before the word "he" in the first sentence.

§ 93.129 [Amended]

6. By amending § 93.129 to add paragraphs (c) and (d) to read as follows:

* * * * *

(c) For the purpose of this section. a "scheduled operation to or from Washington National Airport" is any operation regularly conducted by an air carrier between Washington National Airport and another point served by that air carrier unless the service is conducted pursuant to irregular charter or hiring of aircraft or is a nonpassenger flight.

(d) An aircraft operator must obtain an IFR reservation in accordance with procedures established by the Administrator. For IFR flights to or from Washington National Airport. reservations for takeoff and arrival shall be obtained prior to takeoff.

PART 159—NATIONAL CAPITAL AIRPORTS

§ 159.40 [New]

7. By adding to Part 159 new § 159.40. Subpart C. as follows:

§ 159.40 Nighttime noise limitations.

(a) Except in an emergency. and except as allowed by paragraph (b) of this section. no person may operate an aircraft at Washington National Airport after 9:59 p.m. and before 7:00 a.m. if the noise levels for the aircraft type and model set out in FAA Advisory Circular 36–3B. which is incorporated into this Part by reference. exceed the applicable noise limit set forth below. No adjustment for gross weight will be allowed:

Arrivals: 85 dBA as generated on approach.
Departures: 72dBA as generated on takeoff.

(b) An operation scheduled to arrive before 10:00 p.m. and which is cleared for its approach before 10:30 p.m. shall not be subject to the noise limit for arrivals set forth in paragraph (a) of this section.

(c) Aircraft types and models which are not listed in Advisory Circular 36–3B may be operated at Washington National Airport if the FAA determines that the aircraft type and model would meet the noise limits of paragraph (a) if it were tested in accordance with the procedures of Part 36 Appendix C of this chapter and the operator obtains approvals required by § 159.59(a).

(d) *Availability of advisory circular.* Advisory Circular 36–3B may be inspected and copied at any FAA Regional Office or General Aviation District Office. Copies of the circular are available free of charge and may be obtained from any of those offices or from the DOT Distribution Unit. M-443.1. Washington. D.C. 20590.

§ 159.59 [Amended]

8. By amending § 159.59 by redesignating paragraphs "(a)," "(b)" and "(c)" as "(b)," "(c)" and "(d)" and by adding new paragraph (a) as follows:

(a) No person may operate at Washington National Airport an air carrier aircraft of a type not regularly operated at that airport as of July 1. 1981. unless approved by the Administrator. on a safety basis. and the Director of Metropolitan Washington Airports. The Director may request the person proposing to operate aircraft of this type at Washington National to submit a plan describing how the aircraft operation will be compatible with the airport facilities. including a description of the aircraft type. the schedule. and the gate positions proposed to be used. The Director shall base his approval or denial on the compatibility of the operation with National Airport's apron. gate. baggage. passenger handling. and roadway facilities.

§ 159.60 [Amended]

9. By revising § 159.60 to read as follows:

§ 159.60 Nonstop operations.

No person may operate an air carrier aircraft nonstop between Washington National Airport and any airport that is more than 1.000 statute miles away from Washington National Airport.

(Secs. 103. 307(a). (b) and (c). 313(a). of the Federal Aviation Act of 1958. as amended (49 U.S.C. 1303. 1348(a). (b) and (c). and 1354(a)); secs. 2 and 5 of the Act for the Administration of Washington National Airport. 54 Stat. 688 as amended by 61 Stat. 94; sec. 4 of the Second Washington Airport Act. 64 Stat. 770; sec. 6 of the Department of Transportation Act (49 U.S.C. 1655))

Note.—As a result of a request by the Director of the Office of Management and Budget under the criteria of Executive Order 12291. this regulation is classified as a "major" regulation. The Director has given a waiver from certain of the requirements of the Executive Order for this rulemaking. Since the regulation would make minor changes to an issued regulation. it is not considered to be significant under the Department of Transportation Regulatory Policies and Procedures (44 FR 11034 February 26. 1979). A final. regulatory evaluation is included in the rules docket. Finally. it will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

Issued in Washington. D.C.. on November 23. 1981.

J. Lynn Helms,
Administrator.

[FR Doc. 81-34141 Filed 11-24-81. 8:45 am]
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CITY OF HOUSTON and American
Airlines, Inc., Petitioners,
v.
FEDERAL AVIATION ADMINISTRATION, et al., Respondents.

Nos. 80-2030, 80-2251 and 81-4194.

United States Court of Appeals,
Fifth Circuit.

July 9, 1982.

On petitions for review of regulations of the Department of Transportation, the Court of Appeals, Brown, Circuit Judge, held that: (1) regulations imposing "perimeter rule" prohibiting air carriers from operating nonstop flights between Washington National Airport and any airport more than 1,000 statute miles away were valid; (2) Federal Aviation Administration's actions did not violate port preference clause; and (3) perimeter rule did not violate passengers' constitutional right to travel.

Petitions denied.

1. Administrative Law and Procedure ⚿741

Generally, Court of Appeals reviews agency's procedures to ensure reasoned decision making, but defers to its expertise in final analysis.

2. Administrative Law and Procedure ⚿749

Agency's decision is entitled to presumption of regularity, but that presumption is not to shield agency's action from thorough, probing, in-depth review.

3. Administrative Law and Procedure ⚿760, 785

Court of Appeals must consider whether agency's decision was based on consideration of relevant factors and whether there has been clear error of judgment; although this inquiry into facts is to be searching and careful, ultimate standard of review is narrow one, as Court is not empowered to substitute its judgment for that of agency.

4. Administrative Law and Procedure ⚿753

Orderly functioning of process of review requires that grounds upon which administrative agency acted be clearly disclosed and adequately sustained.

5. Administrative Law and Procedure ⚿753

Court of Appeals will uphold agency's decision of less than ideal clarity if agency's path may be reasonably discerned.

6. Administrative Law and Procedure ⚿754, 763

Court of Appeals must accord agency considerable, but not too much deference; it is entitled to exercise its discretion, but only so far and no further; and its decision need not be ideal or even, perhaps, correct so long as not "arbitrary" or "capricious" and so long as agency gave at least minimal consideration to relevant facts as contained in record.

7. Aviation ⚿101

Department of Transportation regulations imposing "perimeter rule" prohibiting air carriers from operating nonstop flights between Washington National Airport and any airport more than 1,000 statute miles away were valid. Federal Aviation Act of 1958, §§ 103, 307(a), 312(a), 313(a) as amended 49 U.S.C.A. §§ 1303, 1348(a), 1353(a), 1354(a).

8. Evidence ⇐47

On petition for review of Department of Transportation regulations imposing "perimeter rule" upon flights to and from Washington National Airport, Court of Appeals, having traveled through Washington National and other airport sought to be protected by such rule, would take judicial notice of their problems of under and overuse.

9. Aviation ⇐31

Federal Aviation Administration, acting in its proprietary capacity as owner operator of two airports serving Washington, DC area, had express authority under Federal Aviation Act to promulgate reasonable regulations concerning efficient use of navigable airspace. Federal Aviation Act of 1958, §§ 103, 307(a), 312(a), 313(a) as amended 49 U.S.C.A. §§ 1303, 1348(a), 1353(a), 1354(a).

10. Commerce ⇐82.30

Government actions do not violate port preference clause even when they result in some detriment to port of a state, where they occur as incident to some otherwise legitimate government act regulating commerce or more as a result of accident of geography than from intentional government preference. U.S.C.A.Const.Art. 1, § 9, cl. 6.

11. Aviation ⇐101

Federal Aviation Administration's adoption of "perimeter rule" prohibiting air carriers from operating nonstop flights between Washington National Airport and any airport more than 1,000 statute miles away did not violate port preference clause. U.S.C.A.Const.Art. 1, § 9, cl. 6.

12. Constitutional Law ⇐83(1)

Federal Aviation Administration's "perimeter rule" prohibiting air carriers from operating nonstop flights between Washington National Airport and any airport more than 1,000 statute miles away, does not violate passengers' constitutional right to travel.

13. Federal Courts ⇐12

Only a "live" controversy can satisfy Article III requirements governing adjudication in federal courts. U.S.C.A.Const. Art. 3, § 1 et seq.

14. Administrative Law and Procedure ⇐678

When administrative order lapses by its own terms, challenge to that order is moot.

Robert E. Cohn, Jeffrey W. Jacobs and Bruce A. Leicher, Washington, D. C., for City of Houston.

John L. Oberdorfer, Washington, D. C., for City of Birmingham.

Charles H. White, New Orleans, La., for City of New Orleans and New Orleans Aviation Bd.

Patricia Nalley Bowers, Asst. Atty. Gen., Louisiana Dept. of Justice, New Orleans, La., for State of La.

Barry S. Spector, Washington, D. C., for Northwest Airlines, Inc.

Marshall Coleman, Atty. Gen., Richmond, Va., for Commonwealth of Va., her Counties of Fairfax and Loudoun and the City of Alexandria.

Lawrence J. Latto, Washington, D. C., for Virginians for Dulles.

Sharon E. Pandak, Asst. County Atty., Manassas, Va., for Prince William County.

Edward J. Finnegan, County Atty., Leesburg, Va., for Loudoun County, Va.

Peter R. Steenland, Jr., Edward Faggen, Washington, D. C., Kenneth N. Weinstein, Dept. of Transp., Anne S. Almy, James W. Moorman, Thomas L. Reisenberg, U. S. Dept. of Justice, Land & Natural Resources Div., Washington, D. C., for Federal Aviation Administration, et al.

Richard J. Fahy, Jr., Stephen L. Taylor, American Airlines, Inc., Dallas/Ft. Worth Airport, Tex., John C. Christian, New Orleans, La., for American Airlines, Inc.

Michael Goldman, Washington, D. C., for Pan American World Airways, Inc.

Bert W. Rein, Tom Kirby, Washington, D. C., for U. S. Air, Inc.

David T. Stitt, Fairfax, Va., for Fairfax County, Va.

Petitions for Review of Regulations of the Department of Transportation.

Before BROWN, GOLDBERG and GEE, Circuit Judges.

JOHN R. BROWN, Circuit Judge:

This flight from Houston, Texas to our Nation's Capital takes us to both Dulles International and Washington National Airports. The Administrative Procedure Act (APA), 5 U.S.C. § 701 *et seq.*, will serve as our flight plan, and the Supreme Court as air traffic control. In the course of our flight, our passengers—the City of Houston, American Airlines and the Federal Aviation Administration[1]—will be informed of our conclusion that Department of Transportation regulations imposing a "perimeter rule" upon flights to and from Washington National Airport are valid and thus, as we disembark, we shall deny the petitions for review.

Destination: Washington—A Capitol City

Our Nation's Capital, Washington, D. C., attracts millions of visitors each year, be it for pleasure or for business. Nestled in the green hills of the Mid-Atlantic region, snug and smug along the banks of the beautiful Potomac River, this celebrated town of "Northern charm and Southern efficiency" offers visitors a potpourri of museums, art galleries, monuments, historic sites, parks, Panda bears, politicans, and a climate that is charitably described as ghastly. And for one group of travelers, Washington offers something else: our federal government, with its milch cow departments and regulatory agencies. For the business traveler, Washington is Mecca.

One If By Land, Two If By Sea, and Three If By Air

Yet the road to Mecca is not an easy one. The metropolitan Washington area supports three airports: Washington National (National), Dulles International (Dulles)—both owned by the FAA, an arm of the DOT—and Baltimore-Washington International (BWI). For those citizens living within 1,000 miles of Washington, nonstop air service to close-in National allows them to earn their wings, every day. Served directly by Metro, Washington's vintage 2001 subway network, National lies across the Potomac River from downtown Washington, a few minutes' ride from the seat of government and from most of its appendages as well.

If Washington is the city of cherry blossoms, National is a faded bloom. Constructed in the early 1940's to handle propeller planes, it now handles jet aircraft which disgorge up to 3500 passengers/hour in peak periods, for a total of 17 million passengers per year. Those figures represent 67% of the air traffic in the metropolitan Washington area. National's 6870 foot runway can handle Boeing 727's and similar jet aircraft but cannot accommodate the "jumbo" widebody jets that serve the coast-to-coast and international markets. To the west of the airport is Arlington County, Virginia, and to the south, the city of Alexandria, Virginia—both densely populated areas[2] whose residents with increasing vehemence have protested the noise and congestion that National engenders. *See*

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[1] The names on the passenger manifest for this flight include the City of Houston, Texas (Houston) and American Airlines (American), as petitioners, and, as respondents, three agencies of the federal government—the Federal Aviation Administration (FAA), the Department of Transportation (DOT), of which the FAA is itself a branch, and the Civil Aeronautics Board (CAB), an independent regulatory agency. For the list of passengers amici curiae and intervenors, *see* note 9, *infra.*

[2] Within the "30 NEF" area around the airport—NEF means Noise Exposure Forecast, a noise measure that takes account of the effects of peak noise levels, number of aircraft operations, and time of day, and 30 NEF and above is considered unsuitable for residential development—are large residential areas, parks, and the Alexandria "Old Town" historic district.

Virginians for Dulles v. Volpe, 344 F.Supp. 573 (E.D.Va.1972), *aff'd. in part, rev'd. and remanded in part*, 541 F.2d 442 (4th Cir. 1976).

You Can't Get There From Here

For those travelers who live beyond 1000 miles from Washington, only a flying carpet can assure them nonstop service to National, since the DOT regulations we confront prohibit such flights. They may select from two alternatives: a non-nonstop flight to National, stopping or changing planes in a city less than 1000 miles distant, or a direct flight to Dulles or Baltimore-Washington Airport.

Dulles, the other federal airport, is National's younger and substantially more glamorous sister. Completed in 1962, situated 26 miles west of downtown in the rolling green hills of Loudoun and Fairfax Counties in Virginia, Dulles boasts one of the most spectacular terminals in the world. Designed by the architect Eero Saarinen, the terminal possesses a roof that defies both gravity and common sense, modern facilities, comfortable mobile lounges that carry passengers from the terminal building out to an awaiting plane and thus eliminate much of the walking endemic to airports, and, what is central here, three 10,000 foot runways that can accommodate any and all airplanes currently constructed.[3] The first airport in the nation planned for jet aircraft, Dulles services the bulk of nonstop flights from Washington to the West Coast and abroad.

For all its attributes, however, Dulles suffers from one small problem: unpopularity. The 30-mile trip to Washington from Dulles doth a lengthy and expensive taxi ride make. Ground transportation to downtown by bus or limousine, while not as expensive, still takes approximately 45 minutes in light traffic. Rapid rail transport along the Dulles Access Road, a limited access parkway that services only the airport, is unlikely to begin in the near—or even distant—future. Thus travelers arriving in Washington generally prefer National, however crowded, however congested, however decrepit, to the spacious and graceful, but inconvenient, Dulles. Traffic figures confirm its loneliness. While Dulles can accommodate 1800 passengers per hour, the total daily average passenger load is less than 7000. And since the majority arrive or depart late in the afternoon, when the crowded West Coast flights are scheduled, the daily average figures are deceptive.[4] As overcrowding plagues National, arousing the ire of its neighbors, during most of the day the younger sister pines away, unwanted.

The FAA, like any prudent entrepreneur, seeks to increase business and has resorted to the regulatory process to attempt to transfer "long-haul" flights to Dulles. The City of Houston and American complain. And on that note, we must fasten our seat belts, for our flight begins.

Pre-Flight Procedure

American and Houston seek review of DOT regulations imposing a "perimeter rule" that prohibits air carriers from operating nonstop flights between National and any airport more than 1000 statute miles away. 46 Fed.Reg. 36068 (1981), 14 CFR § 159.60. The procedural background to this rule could fill several Boeing 747's. Lest we deter the reader, we will throttle back on unnecessary details.

Prior to the dawn of the jet age, the air carriers serving National agreed to a 650-mile perimeter rule[5] on nonstop flights to and from National, with exceptions for seven cities between 650 and 1000 miles away which enjoyed grandfathered nonstop service as of December 1, 1965.[6] The agreement expired on January 1, 1967, but the carriers continued to adhere to its terms until May 1981, when three carriers—American, Pan American and Braniff—announced plans to fly nonstop to National from cities outside the perimeter.

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[3] Dulles is one of two airports in the United States that services the Concorde, the supersonic jet aircraft which makes daily runs to London and Paris in approximately four hours.

[4] American and Houston point out that Dulles currently is undergoing construction and argue, in effect, that where there is the smoke of construction, there must be the fire of overcrowding. They are incorrect. The changes at Dulles merely eliminate some design problems and increase the ease of arrival and departure. With the exception of the crowded afternoon hours, however, the terminal still sits empty.

[5] The airlines filed the agreement with the Civil Aeronautics Board (CAB) which approved it.

The perimeter rule did not rest upon operational or safety considerations—all parties concede that the Boeing 727's that land at National have a range well beyond 1000 miles. Rather, the FAA viewed the rule as a means of controlling the increasing traffic at National. The rule did not placate area residents, who found the noise from jet aircraft equally disturbing whether the flight originated within 1000 miles or on the Moon. The neighboring states of Maryland and Virginia, the District of Columbia, local planning organizations, and area Senators and Congressmen all urged the FAA to "do something" about National. In 1970, a coalition of citizen groups and individuals brought suit against the DOT, FAA and eleven major airlines to abate noise and air pollution at the airport. The U.S. Court of Appeals for the Fourth Circuit ordered the FAA to prepare an Environmental Impact Statement (EIS) concerning its operation of its two airports. *See Virginians for Dulles, supra*, 541 F.2d at 445–46.

Responding to the Fourth Circuit's flight instructions, the FAA on March 23, 1978 issued a Notice of Proposed Policy for the Metropolitan Washington Airports and a draft EIS. 43 Fed.Reg. 12141 (1978). In discussing a wide range of policy options, from no change to various restrictions on growth, the proposal declared as its purpose "to rationalize the role and use of the two airports [National and Dulles] from an overall transportation viewpoint." The FAA solicited and received comments from the public, members of Congress, federal agencies, state, municipal and local agencies, public organizations, private companies, and interested individuals.

The comments fell into two categories. Local governments and residents argued that the concentration of service at National imposed an unnecessary burden on the airport's neighbors. The airlines and distant cities, on the other hand, argued that National's convenience outweighed the objections.

The FAA, after further public comment, modified its 1978 proposal and issued a supplementary draft EIS and a Notice of Proposed Rulemaking in January 1980. 45 Fed.Reg. 14314 (1980). For the first time, FAA mentioned a flat 1000-mile rule as an alternative to the existing policy. Still more comments followed. The House Committee on Public Works and Transportation got into the act and held oversight hearings.

In response, FAA further refined its policy proposal. The final EIS appeared in August 1980. It contained five policy alternatives, essentially variations on a theme. None suggested abandonment of the perimeter rule.

On August 15, 1980, then-Secretary of Transportation Goldschmidt unveiled an amended Metropolitan Washington Airport Policy. 45 Fed.Reg. 62398 (1980). The FAA issued several regulations to implement this policy, *Id.* at 62406, which abolished the 650-mile perimeter and its exceptions and replaced it with a flat 1000-mile perimeter. In support of the new rule, FAA advanced three reasons:

(1) To assure the full utilization of Dulles;

(2) To preserve the short- and medium-haul nature of National; and

(3) To eliminate the inequity that the prior rule, with its exceptions for the grandfathered cities, created.

The new policy also set a ceiling of 17 million passengers per year at National,

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Agreement of the CAB ¶ 187–81, CAB order E–23743 (1966).

[6] These "grandfathered" cities were: Minneapolis-St. Paul, St. Louis, Memphis, Orlando, Miami, Tampa, and West Palm Beach.

changed the distribution of slots[7] between certificated air carriers and air taxis, imposed a strict curfew on departures and arrivals at night, removed the restriction on those widebody aircraft that can safely operate on National's short runway, called for a master plan governing physical redevelopment of National, and required Dulles to remain open 24 hours per day with unrestricted access.

We've Only Just Begun

These rules were to take effect on January 5, 1981. Just when it seemed that FAA had taken a giant step for traveling mankind, Congress stepped in and prohibited the FAA from reducing the number of air carrier slots until April 26, 1981. *See* Department of Transportation and Related Agencies Appropriations Act of 1981, Pub.L. 96–400, 94 Stat. 1681 (October 9, 1980). Since the rules formed a package, the FAA chose to defer the effective date of the remainder, including the perimeter rule, to the later date. 45 Fed.Reg. 71251 (1980).

On February 27, 1981, the newly-appointed Secretary of Transportation, Drew Lewis, proposed to delay the effective date of the package until October 25, 1981, to enable him thoroughly to reconsider the matter. 46 Fed.Reg. 19225 (1981). On July 8, 1981, he issued a new proposal and regulations which superseded the Goldschmidt policy and regulations. 46 Fed.Reg. 36067 (1981). Although he made some changes, the Secretary approved the 1000-mile perimeter restriction. The DOT promulgated new regulations on November 27, 1981, as part of a coherent operating policy for National and Dulles. 46 Fed.Reg. 58036 (1981).[8]

As if these rules were not enough, the Secretary, on May 8, 1981, ordered the FAA to promulgate a separate, interim perimeter regulation to maintain the existing 650-mile rule in the face of the decision of three airlines to inaugurate nonstop flights to National from Dallas and Houston, Texas. 46 Fed.Reg. 26358. This interim rule, the Secretary declared, met the "emergency" situation created by the airlines' action. It took effect after only one week's comment period instead of the customary 45 or 60 days. 46 Fed.Reg. 28632 (1981).

The Friendly Skies—Filled with Litigants

The City of Houston filed a petition for review (No. 80–2030) of the Goldschmidt perimeter rule on September 22, 1980. American sought review of both the perimeter and the Goldschmidt slot reallocation rules (No. 80–2251). The Air Transport Association of America and Eastern Airlines filed a petition for review of the slot redistribution rule in Unit B of this Court (now the U.S. Court of Appeals for the Eleventh Circuit). New York Air filed a petition for review of the slot reallocation rule in the D.C. Circuit (No. 81–4004).[9]

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[7] In 1968, the FAA, facing increasing delays and congestion at National, dropped the "first come first served" principle and by rule limited flights at National to 60 operations ("slots") per hour. A "slot" simply refers to one aircraft's right to land or take off. Of the 60 slots, 40 had been reserved for certificated air carriers, i.e., the airlines. In the new policy, the DOT proposed to reduce that number to 36 per hour.

[8] The challenged rule adds a new § 159.60 to Part 159 of the Federal Aviation Regulations (FARs), which reads:

> After January 4, 1981, no person may operate an air carrier aircraft nonstop between Washington National Airport and any airport that is more than 1,000 statute miles away from Washington National Airport.

[9] The New York Air petition was transferred to this Court on December 11, 1980. By order of January 7, 1981, we consolidated the petitions and subsequently permitted the following parties either to intervene or to file briefs *amicus curiae*: Northwest Airlines, Inc. intervened in Nos. 80–2030 and 80–2251; Virginians for Dulles intervened in Nos. 81–4004, 80–2251 and 80–2030; the Commonwealth of Virginia intervened in Nos. 80–2030, 80–2251 and 81–4004; the County of Prince William, Virginia, intervened in Nos. 80–2030, 80–2251 and 81–4004; U.S. Air, Inc. intervened in No. 81–4194. The City of Birmingham, Alabama filed a brief *amicus curiae* in Nos. 80–2030, 80–2251 and 81–4004; the City of New Orleans, Louisiana filed a brief *amicus curiae* in Nos. 80–2030, 80–2251 and 81–4004; and the State of Louisiana filed a brief *amicus curiae* in Nos. 80–2030, 80–2251 and 80–4004. Then on September 4, 1981, we

The May 8, 1981 interim perimeter rule also spawned litigation. On May 20, 1981, Houston and American moved to enjoin issuance of the interim perimeter regulation. We denied their motions by order filed May 27, 1981. Houston then filed a petition for review of the interim perimeter rule (No. 81–4194), which we consolidated with the petitions seeking review of the final perimeter rule. Only the perimeter rules—interim and final—stand in the dock before us.

Scope of Review—We're the Administrative Agency, Doing What We Do Best

[1–6] Before we reach cruising altitude, we need, as always, first to delineate the flight plan we must follow. Rulemaking by an administrative agency is governed by the Administrative Procedure Act, 5 U.S.C. § 706(2)(A), which prohibits agency action that is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law" and prescribes proper methods of administrative action. Reviewing courts have taken a radar fix on this amorphous standard on many occasions, but invariably have encountered turbulence during the flight. In general, we review the agency's procedures to ensure reasoned decision-making, but we defer to its expertise in the final analysis. *Citizens to Preserve Overton Park v. Volpe*, 401 U.S. 402, 415, 91 S.Ct. 814, 823, 28 L.Ed.2d 136, 152 (1971), obliges us "to engage in a substantial inquiry." The agency's decision "is entitled to a presumption of regularity. But that presumption is not to shield [the agency's] action from a thorough, probing, in-depth review." *Id.* We must consider "whether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgment.... Although this inquiry into the facts is to be searching and careful, the ultimate standard of review is a narrow one. The court is not empowered to substitute its judgment for that of the agency." 401 U.S. at 416, 91 S.Ct. at 823, 28 L.Ed.2d at 153. The record plays a pivotal role, for "the orderly functioning of the process of review requires that the grounds upon which the administrative agency acted be clearly disclosed and adequately sustained." *SEC v. Chenery Corporation*, 318 U.S. 80, 94, 63 S.Ct. 454, 462, 87 L.Ed. 626, 636 (1943). Yet we "will uphold a decision of less than ideal clarity if the agency's path may reasonably be discerned." *Bowman Transportation v. Arkansas-Best Freight*, 419 U.S. 281, 286, 95 S.Ct. 438, 442, 42 L.Ed.2d 447, 456 (1974), *citing Colorado Interstate Gas Co. v. FPC*, 324 U.S. 581, 595, 65 S.Ct. 829, 836, 89 L.Ed. 1206, 1219 (1945). As we recently concluded,

> [W]e must accord the agency considerable, but not too much deference; it is entitled to exercise its discretion, but only so far and no further; and its decision need not be ideal or even, perhaps, correct so long as not "arbitrary" or "capricious" and so long as the agency gave at least minimal consideration to the relevant facts as contained in the record.

American Petroleum Institute v. EPA, 661 F.2d 340, 349 (5th Cir. 1981).

You Deserve National Attention?

[7] Houston and American label as arbitrary and capricious the FAA's decision administratively to impose a perimeter rule on flights to and from National. We disagree. While the Courts of Appeals have on numerous occasions taken an administrative agency to task for its failure to follow correct procedures or to proffer an acceptable reason for its actions, we find that the FAA and DOT have acted reasonably and in good faith to solve a difficult problem. The agency carefully considered all the factors and arrived at a reasonable judgment. *Overton Park, supra.* In no way do the rules before us constitute arbitrary and capricious agency action. The enormous record in this case bolsters the decision, *see Chenery, supra*, and the arguments of Houston and American, although sincere and not without merit, do not convince us to the contrary.

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severed the petitions challenging the perimeter restrictions from those challenging the slot redistribution rule.

[8] Houston and American contend that no rational basis connects the FAA's goals—to protect Dulles and to preserve the short-haul status of National—to the means it has adopted. This argument ignores reality and, in the process, misreads the factual record. Having traveled through these two airports, we may take judicial notice of their problems of under- and over-use. The FAA's actions, while not the only way of treating these problems, fall well within the APA's radar scope for agency action.

A perimeter rule, Houston and American allege, will not protect Dulles. Moreover, there is no showing that Dulles needs protection. They are wrong on both counts. As counsel for the FAA pointed out at oral argument, one could shoot off a cannon in the Dulles terminal at midday without a chance in the world of hitting anyone. Except for the hours from 4:00 to 8:00 p. m., when the complement of West Coast nonstop and international flights arrive and depart, Dulles is deserted.[10] In those same hours, National is saturated with passengers. Dulles needs help, which the perimeter rule, by preventing the further concentration of flights at National, can provide.

We point out what Houston and American conveniently ignore, that Dulles since 1967 has depended upon a perimeter rule of some sort at National. Already empty for much of the day with a rule, Dulles might, if we invalidate the perimeter, cease to exist. Carriers would schedule nonstop flights from National to Denver, Dallas and Houston. The shift would leave Dulles with only the California and Seattle nonstops, which employ aircraft that cannot land on National's short runway, and the international trade. That small amount of traffic, contrary to petitioners' predictions, would not prove adequate to sustain the airport. Their zeal for overturning these regulations confirms the FAA's view that "as long as carriers are able to increase the number of passengers carried at National, they will continue to do so." 45 Fed.Reg. at 62399.

Houston and American suggest that since the FAA has imposed a ceiling on the number of flights per day at National, the lifting of the perimeter rule would allow the market to determine the level of service. Even if true, that redistribution would not necessarily serve the public interest. The airlines, having only so many slots at their disposal, would drop service to Podunk in place of the more profitable, longer-haul markets.

> As long as carriers are able to increase the number of passengers carried at National, they will continue to do so. It has been to their advantage to shift longer haul flights formerly scheduled at Dulles to National, at the expense of shorter haul markets traditionally served there.

Metropolitan Washington Airports Policy, Final EIS, August 1980, at 5. That course not only undercuts National's short-haul status, but it reduces the level and quality of service to smaller towns in our nation, which the FAA and CAB are sworn to uphold.

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[10] The following table depicts the FAA's predictions for the three airports if there is no change in operating policy:

PASSENGER FORECAST
NO POLICY CHANGE

1979 EXISTING

AIRPORT	AIR CARRIER	AIR TAXI/ COMMUTER	GENERAL AVIATION	TOTAL
National	14,277,825	632,578	223,614	15,134,017
Dulles	3,311,965	26,587	124,298	3,462,850
Baltimore	3,771,219	N/A	93,214	3,864,433
Regional TOTAL	21,361,009	659,165	441,126	22,461,300

1985

AIRPORT	AIR CARRIER	AIR TAXI/ COMMUTER	GENERAL AVIATION	TOTAL
National	17,872,000	792,000	225,000	18,889,000
Dulles	4,558,000	30,000	N/F	4,588,000
Baltimore	5,525,000	287,000	N/F	5,812,000
Regional TOTAL	27,955,000	1,109,000	N/F	29,064,000

1990

AIRPORT	AIR CARRIER	AIR TAXI/ COMMUTER	GENERAL AVIATION	TOTAL
National	17,971,000	1,000,000	240,000	19,211,000
Dulles	8,395,000	32,000	N/F	8,427,000
Baltimore	8,542,000	296,000	N/F	8,838,000
Regional TOTAL	35,908,000	1,428,000	N/F	37,336,000

1995

AIRPORT	AIR CARRIER	AIR TAXI/ COMMUTER	GENERAL AVIATION	TOTAL
National	19,037,000	1,250,000	260,000	20,547,000
Dulles	11,727,000	42,000	N/F	11,769,000
Baltimore	10,828,000	302,000	N/F	11,230,000
Regional TOTAL	41,382,000	1,794,000	N/F	43,386,000

Metropolitan Washington Airports Policy, Final EIS, August 1980, at II 18 (footnotes omitted).

In the same breath, Houston and American retort that the FAA could always increase the number of slots to protect the commuter and short-haul flights. Yet that idea puts us back where we started. The FAA wants to decrease traffic at National, not increase it. For the same reasons that international traffic in New York centers at John F. Kennedy Airport,[11] it makes sense to the FAA that one Washington airport handle the volume of nonstop traffic to the distant cities.

The Long and Short Haul of It

Next, Houston and American insist that National "has not been, is not and will not be" a short-haul airport. They correctly point out that National serves as many, if not more, of the long-haul cities as does Dulles, *e.g.*, San Francisco, Los Angeles, Seattle, Portland, Las Vegas, Denver. *See* Official Airline Guide, North American Edition (June 1, 1982). Yet their argument ignores the very point at issue. Those flights *must stop* somewhere less than 1000 miles from National. No one has ever attempted completely to bar travelers from distant cities from flying to National Airport. Such an attempt might well give rise to a constitutional claim. Rather, the perimeter rule gives travelers a choice. Those who prefer nonstop service may use Dulles; those who do not mind a stopover in Chicago, Atlanta, St. Louis, Memphis, Pittsburgh, New Orleans, or Charlotte, may take a slightly lengthier trip and arrive at or depart from National. Whether they simply stop over or must change planes, the passengers who elect that alternative do leave from or arrive at National on a short-haul flight. The ultimate destination on the ticket cannot change that fact.

The rule comports with common sense. We propose the following example by way of illustration. A New Yorker with business in Washington will make the 53-minute flight in the morning, have a full day to transact his business, and still return home by evening.[12] He carries with him nothing but a briefcase. By contrast, a business traveler from Houston who leaves at 7:00 a. m. does not arrive in the Washington area until 11:48 a. m.[13] If he seeks to return home the same day, he has only the afternoon in which to complete his affairs. If, as seems more likely, he plans to stay overnight, he will carry baggage. Such luggage-laden travelers are precisely those who make National congested. They have less need of National's convenience to downtown than the one-day, arrive-and-return traveler whom we have described. The FAA's determination to reserve National for the short-haul passenger finds ample support in the practicalities of air travel.

A Modest Alternative

Houston generously proposes an alternative perimeter rule. Acting, apparently, on the theory that a perimeter rule is arbitrary, capricious, irrational, and unconstitutional if it excludes Houston but hunky-dory if not, Houston suggests that the FAA promulgate a 1500-mile rule. That distance coincides with the approximate range of those jets currently serving National and, curiously enough, embraces Houston.

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[11] While JFK Airport does not, as petitioners correctly point out, handle *all* of the international traffic in New York, it is a fair statement to say that the airport handles the vast majority of such flights. *See* Official Airline Guide, International Edition (June 1, 1982).

[12] The New York passenger would catch the 7:00 a. m. Eastern Airlines Air-Shuttle, leaving LaGuardia Airport at 7:00 a. m. and arriving at National at 7:53. Leaving Washington that evening, he might catch the 7:00 p. m. Eastern Air-Shuttle which arrives back in New York at 8:00 p. m. *See* Official Airline Guide, North American Edition (June 1, 1982).

[13] Assuming for present purposes that the flight time to the Washington metropolitan airports is approximately the same, we take note that the Houston traveler could leave Houston at 7:00 a. m. and arrive in Washington at 11:48 a. m. nonstop. At the end of his shortened business day, he could catch at 6:40 p. m. flight from Washington which would return him to Houston, exhausted, at 10:38 p. m. *See* Official Airline Guide, North American Edition (June 1, 1982).

The FAA could have selected such a perimeter, just as it could have continued the status quo or closed National altogether, but it chose not to do so. As it conceded, "The resultant policy is not likely to be acceptable to all factions, but it represents the [DOT's] views of the proper role and best use of these two airports in the public interest." Metropolitan Washington Airports Policy, Supplement to Final EIS, September 1981, at II–11. Ours is not to reason why, ours is but to uphold the agency's decision if not arbitrary and capricious. *Overton Park, supra.* Houston's suggestion finds even less support in logic or tradition than the FAA's rule. While the 1000-mile rule at least possesses the virtue of continuity, the Houston proposal would bind National, a few years down the runway, to the traveling range of outdated aircraft. One might as well limit the perimeter to the range of the Wright Flyer.[14]

The FAA has produced copious reasons for its choice. The various drafts of the EIS run several hundred pages, accompanied by exhibits and tables covering every possible alternative for National and Dulles. The EIS points to the problems that currently plague National—overcrowded parking lots and aircraft aprons, insufficient counterspace, traffic congestion, too little baggage claim area, harsh environmental effects on the airport's neighbors—and convincingly shows that, in the absence of a perimeter rule, National would absorb long-distance flights over and above its already overcrowded capacity, while Dulles would wither on the vine. The agency defends its choice of a 1000-mile perimeter on the basis that it preserves the status quo but relieves the inequity that the 650-mile rule with its exceptions created.[15]

As Justice Holmes once remarked,

> When a legal distinction is determined, as no one doubts that it may be, between night and day, childhood and maturity, or any other extremes, a point has to be fixed or a line has to be drawn, or gradually picked out by successive decisions, to mark where the change takes place. Looked at by itself, without regard to the necessity behind it, the line or point seems arbitrary. It might as well, or nearly as well, be a little more to one side or the other. But when it is seen that a line or point there must be, and that there is no mathematical or logical way of fixing it precisely, the decision of the legislature must be accepted unless we can say that it is very wide of any reasonable mark.

Louisville Gas & Electric Co. v. Coleman, 277 U.S. 32, 41, 48 S.Ct. 423, 426, 72 L.Ed. 770, 775 (1928) (Holmes, J., dissenting). The FAA's line is not "very wide of any reasonable mark." Our "thorough, probing, in-depth review", *Overton Park, supra,* obliges us to uphold the FAA's decision.

Who's In Charge Here?

Even if it did not act arbitrarily and capriciously, the FAA, say American and Houston, lacked the statutory authority to impose a perimeter restriction. That argument fails to make it off the ground. The Federal Aviation Act and the FAA's status as proprietor of National and Dulles provide independent support for its decision.

Curiously enough, the FAA has never grounded its decision on safety concerns.[16] Rather, it asserts its rights as the proprietor of the two airports. Analogizing to the right of a store owner to run his business, FAA acted to manage, as best it could, the great and increasing volume of air traffic in the Washington area.[17]

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[14] The plane constructed by the Wright brothers which opened American aviation history at Kitty Hawk, North Carolina, on December 17, 1903. For the aviation history buff, we point out that Orville Wright piloted the plane, which weighed 744 pounds, on its famous voyage. The Wright Flyer was launched from a monorail "runway", not unlike modern planes, stayed in the air a rather modest 59 seconds, and flew on its longest journey a total of 852 feet—a short perimeter, indeed.

[15] For example, because Minneapolis/St. Paul was grandfathered in the 1966 voluntary agreement, it had nonstop access to National while Birmingham, Alabama, several hundred miles closer, did not.

[16] Like all newspaper readers and television news watchers, we must be aware of the tragic plane crash at National on Wednesday, January 13, 1982, which obviously raises serious safety factors.

At the outset, we dispense with the claim that § 105 of the Federal Aviation Act, 49 U.S.C. § 1301 *et seq.*, bars the FAA from taking the actions it did. Section 105 of the Act, 49 U.S.C. § 1305, entitled Federal preemption, delineates the powers of airport proprietors. It reserves for the federal authorities control over "rates, routes or services of any [interstate] air carrier." Yet the statute also specifies that it deals with "the authority of any State or political subdivision thereof or any interstate agency or other political agency of two or more States as the owner or operator of an airport." The FAA does not fit within that definition. Nothing could be more certain than that the restrictions of § 1305 do not bind the FAA, an arm of the federal government which just happens to own two airports.

While it is true that "Congress had reserved [an] extremely limited role . . . for airport proprietors in our system of aviation management," *British Airways Board v. Port Authority of New York and New Jersey*, 564 F.2d 1002, 1010 (2nd Cir. 1977), the FAA is not the typical airport proprietor. Why did Congress specify such a limited role? To avoid interference with the preeminent authority of the federal government in the field of aviation, Congress, in § 1305, sought to prevent the proprietor of a rural airstrip from infringing upon the federal government's turf. FAA obviously plays a different role. Houston and American claim, in effect, that the FAA may not take certain actions for fear of interfering with itself. The argument reduces to tautological gibberish.

Houston and American call attention to the FAA's actions in seeking an injunction against the John Wayne Airport (JWA) in Orange County, California. JWA imposed a perimeter on flights from more than 500 miles away. The FAA intervened, arguing that the airport exceeded its proprietary authority. The District Court agreed and granted the injunction. *Pacific Southwest Airlines v. County of Orange*, No. CV 81-3248 (C.D.Cal. Nov. 30, 1981).

The JWA affair does not undercut the FAA's actions. A local airport with no connection to nearby Los Angeles International or Ontario Airports, JWA could not blithely take such an action upon itself. Section 1305 removes control over routes, etc., from local airport proprietors. Petitioners again miss the key question, that is, whether the FAA is governed by the same rules as a local proprietor. The answer, obviously, is no.

Even if proprietary interest cannot legitimate its decision, the Federal Aviation Act grants the FAA the power to impose a perimeter. Section 1303 provides:

> In the exercise and performance of his powers and duties under this Act the [Secretary of Transportation] shall consider the following, among other things, as being in the public interest:
>
> * * * * * *
>
> (c) The control of the use of the navigable airspace of the United States and the *regulation of* both *civil* and military *operations* in such airspace *in the interest* of the safety *and efficiency* of both.

Section 1348(a) of the Act states:

> The [Secretary] is authorized and directed *to develop plans for and formulate policy* with respect to the *use of the navigable airspace*; and assign by rule, regulation, or order the use of the navigable airspace under such terms, conditions, and limitations as he may deem necessary in order to insure the safety of aircraft and the *efficient utilization of such airspace.*

In a similar vein, § 1353(a) declares:

> The [Secretary] is directed to make long range plans for and formulate policy with respect to the *orderly development and use* of the navigable airspace, and the

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[17] *Dallas v. Southwest Airlines Co.*, 494 F.2d 773 (5th Cir. 1974), on which petitioners rely, involved intrastate aviation and has less than no bearing on our case.

> *orderly development and location of landing areas....*

To top it off, § 1354(a) provides:

> The [Secretary] is empowered to perform such acts, to conduct such investigations, to issue and amend such general or special rules, regulations, and procedures, pursuant to and consistent with the provisions of this Act, as he shall deem necessary to carry out the provisions of, and to exercise and perform his powers and duties under, this Act.

The terms of the Act clothe the FAA with authority to formulate policy for the efficient use of navigable airspace and landing areas. Without engaging in a word by word definition of those terms, we find these sections support the FAA's actions. Section 1354(a), finally, grants the Secretary the power to effectuate such policies.

We cannot, consistent with common sense, read these sections in any other way. The navigable airspace is of surprisingly little use if a plane cannot land or take off. To promote its "efficient utilization", the FAA must have the power to make rules and regulations governing not only the corridors of air traffic, but the use of airports as well. The perimeter rules help to accomplish that goal in the Washington area: by setting up an orderly plan for the development of National and Dulles, they aid in the efficient use of now-crowded airspace.

Houston and American refer us to provisions of the D.C. Code which govern such critical aspects of airport operation as the lost and found desk or water fountains. They cannot seriously contend that such powers, although important in their own way, constitute the outer limits of an airport proprietor's authority. The Federal Aviation Act is our handbook, and it ordains that the FAA may take whatever steps it considers necessary to carry out its statutory responsibilities.

Houston suggests that in the absence of statutory authority, the perimeter rule requires an "explicit grant of authority by Congress". We have already found that the Federal Aviation Act authorizes the rule. Even if the Act did not reach so far, however, Congress has stepped into the breach. In the Department of Transportation and Related Agencies Appropriations Act, *supra*, Congress froze the number of air carrier operations at National. The legislative record makes clear that Congress did *not* intend to hold up any of the other aspects of the Metropolitan Washington Airports Policy. Congressman Duncan, the Chairman of the House Committee, stated,

> In delaying the reduction of hourly slots, it was not our intention to disapprove or negate the overall Washington National Airport policy or to delay the balance of the plan.... It is not the intent of the conferees to interfere with whatever ultimate responsibility and authority the FAA may have for the orderly management of traffic at Washington National Airport...."

126 Cong.Rec.H 10049 (daily ed. Sept. 30, 1980) (statement of Rep. Duncan).

The Senate Report on the bill confers that body's blessing as well. It states:

> The Committee is pleased to see the FAA adopt a final metropolitan Washington airports policy regarding the operations of Washington National and Dulles International Airports. The Committee has raised no objections to the proposed changes in operating procedures at Washington National.... The Committee expects prompt implementation of this policy through the issuance of appropriate Federal regulations.
>
> An obvious imbalance exists in the utilization of the three major airports serving the Baltimore-Washington metropolitan area. While on the one hand we have a gross underutilization of two large international airports, we find that on the other hand, National Airport absorbs approximately as much traffic as the other two combined. Although it is difficult to achieve a balance in addressing this problem, the Committee feels that *the FAA's recent announcement of a metropolitan Washington airports policy is a step in the right direction.*

S.Rep.No.96-932, 96th Cong., 2d Sess. 27 (1980) (emphasis added).

Congress, whose members frequent the Washington area airports, knew of the FAA's actions in restricting service at National. These excerpts from the legislative record demonstrate that Congress in effect ratified that policy. "[A] consistent administrative interpretation of a statute, shown clearly to have been brought to the attention of Congress and not changed by it, is almost conclusive evidence that the interpretation has Congressional approval." *Kay v. FCC*, 443 F.2d 638, 646–47 (D.C.Cir. 1970) (FCC action). Thus even if the FAA's action necessitated Congressional support, which it did not, Congress concurred in the agency's decision.

Authority, Authority, Who's Got the Authority?

In a last gasp objection, American and Houston protest that the CAB rather than the FAA bears the responsibility for economic regulation of aviation. *See, e.g., Delta Air Lines v. CAB*, 543 F.2d 247, 259 (D.C.Cir.1976). Obviously they have not read the newspapers. For all intents and purposes, the CAB has folded its wings and gone into retirement. The Airline Deregulation Act of 1978 mandated a significant reduction in the governmental regulation of the airlines, and the CAB obediently has committed regulatory suicide. Surely someone must have the responsibility for National and Dulles airport. The CAB had it, but it has lost it. *See* House Committee on Public Works & Transportation, Legislative History of the Airline Deregulation Act of 1978 (Comm.Print 1978). With the CAB off the radar scope, only the FAA—under the terms of the Federal Aviation Act—can assume such responsibility.

[9] We find that the FAA, acting in its proprietary capacity as the owner/operator of National and Dulles, had express authority under the Federal Aviation Act to promulgate reasonable regulations concerning the efficient use of the navigable airspace. The perimeter rule falls within its grasp as a means of promoting such efficiency. Since we have held, *supra*, that the rule does not violate the APA, it follows that we must deny the petitions for review.

First Port in a Storm

We turn, at last, to the constitutional claim which Houston and American raise. They argue that the FAA's perimeter rule violates the Port Preference Clause, Article I, Section 9, Clause 6, which reads:

> No preference shall be given by any Regulation of Commerce or Revenue to the Ports of one State over those of another: nor shall Vessels bound to, or from, one State, be obliged to enter, clear or pay Duties to another.

By allowing only those airports within 1000 miles the privilege of nonstop flights to National, the FAA has, Houston and American assert, granted such a preference to some states.[18]

This argument, although facially attractive, will not fly. The clause may not be "a fossilized remainder of an age of American federalism that has long since passed", but neither is it, in airline terminology, overbooked. Decisions interpreting the clause are so few and far between that we must harken back to 1856—long before Wilbur and Orville Wright dreamed of defying gravity—to find the "authoritative" case.

Pennsylvania v. Wheeling and Belmont Bridge Co., 59 U.S. (18 How.) 421, 15 L.Ed. 435 (1856), involved a challenge to the construction of a bridge over the Ohio River near Wheeling, West Virginia. The bridge was low enough that it blocked some paddle vessels from proceeding up the river to the port of Pittsburgh. Pennsylvania sought modification or demolition of the bridge. Replying to its argument that the explicit approval of construction by Congress violated the Port Preference Clause, Justice Nelson declared:

> There are many Acts of Congress passed in the exercise of this power to regulate

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[18] The government concedes that "Port" should not be read in its nautical sense only but extends to an airport as well.

> commerce, providing for a special advantage to the port or ports of one state and which very advantage may incidentally operate to the prejudice of ports in a neighboring state, which have never been supposed to conflict with this limitation upon its power.... It will not do to say that the exercise of an admitted power of Congress conferred by the Constitution is to be withheld, if it appears, or can be shown, that the effect and operation of the law *may incidentally extend beyond the limitation of the power.* Upon any such interpretation, the principal object of the framers of the instrument in conferring the power would be sacrificed to the subordinate consequences resulting from its exercise.... [A]s to a preference by a regulation of commerce, the history of the provision, as well as its language, looks to a prohibition against granting privileges or immunities to vessels entering or clearing from the ports of one state over those of another.... Thus much is undoubtedly embraced in the prohibition; and it may, certainly, also embrace any other description of legislation looking to *a direct privilege or preference* of the ports of any particular state over those of another. Indeed, the clause, in terms, seems to import a prohibition against *some positive legislation* by Congress to this effect, and *not against any incidental advantages that might possibly result* from the legislation of Congress upon other subjects connected with commerce, and confessedly within its powers.... The truth seems to be, that what is forbidden is, not discrimination between individual ports within the same or different states, but discrimination between states; and if so, in order to bring this case within the prohibition, it is necessary to show, not merely discrimination between Pittsburgh and Wheeling, but discrimination between the ports of Virginia and those of Pennsylvania.

59 U.S. at 433–35, 15 L.Ed. at 438–39 (emphasis added). *See also Bailey Farm Dairy Co. v. Anderson,* 157 F.2d 87 (8th Cir.), *cert. denied,* 329 U.S. 788, 67 S.Ct. 355, 91 L.Ed. 675 (1946).

Twenty years later, the Supreme Court turned again to the Port Preference Clause in *South Carolina v. Georgia,* 93 U.S. 4, 23 L.Ed. 782 (1876). The United States dredged the southern channel of the Savannah River around Hutchinson's Island to improve navigation. The dredging obstructed the northern circuit around the island. South Carolina sued, claiming that this action marked a preference for Georgia ports over those of South Carolina. Justice Strong dispensed with the argument in record time. Citing *Wheeling Bridge,* he observed, "the prohibition of such a preference does not extend to Acts which may directly benefit the ports of one State and only *incidentally* injuriously affect those of another." 93 U.S. at 13, 23 L.Ed. at 784 (emphasis added).

Finally, in *Alabama Great Southern Railroad Co. v. United States,* 340 U.S. 216, 71 S.Ct. 264, 95 L.Ed. 225 (1951), the Court, facing a challenge to an Interstate Commerce Commission order that allegedly gave a preference to the port of New Orleans over ports in other states, held that the Port Preference Clause did not apply: "And we are clear that whatever preference there is to New Orleans is a result of geography and not of any action of the Commission." 340 U.S. at 229, 71 S.Ct. at 273, 95 L.Ed. at 238.

[10] Mere age does not weaken the strength of an opinion. Nor, obviously, can it reduce the scope of constitutional protection. Yet without slighting the Port Preference Clause, we believe that the Supreme Court, in these cases construing it, has sketched for us the appropriate inquiry. Government actions do not violate the Clause even if they result in some detriment to the port of a state, where they occur (i) as an incident to some otherwise legitimate government act regulating commerce or (ii) more as a result of the accident of geography than from an intentional government preference.

[11] With these considerations in mind, we have no difficulty in concluding that the FAA's actions do not violate the Clause. Government actions in our society touch

upon or regulate matters that the Framers could not have envisioned in their wildest dreams. As Justice Stone once observed,

> We may assume that the Framers of the Constitution, in adopting [Article I, Section Four] did not have specifically in mind the selection and elimination of candidates for Congress by the direct primary any more than they contemplated the application of the commerce clause to interstate telephone, telegraph and wireless communication.

United States v. Classic, 313 U.S. 299, 61 S.Ct. 1031, 85 L.Ed. 1368 (1941) (different context). Nor can we assume that the Framers would not have wanted to guarantee Congressional neutrality in the selection and administration of airports. In instances of technology overtaking the constitutional text, we must ascertain the concerns that prompted the Framers to act as well as their intent in drafting the specific language.

The history of the Clause demonstrates its inapplicability. Maryland delegates, who feared that Congress might require ships in Chesapeake Bay to put in at Norfolk or some other Virginia port, proposed a clause as a safeguard against Virginia's great strength in Congress. *See* 59 U.S. at 434, 15 L.Ed. at 438. The Port Preference Clause gave small states protection against deliberate discrimination against them by other, more powerful states. It does not, we believe, cover the situation before us, where the FAA has adopted what another realm of constitutional law would term a facially neutral rule.

The accident of geography, not any deliberate discrimination against the western states, underlies the FAA's rule. The perimeter does not discriminate against a named state or states. It does not declare that Texans may not fly nonstop to National. Rather, it sets a limit of 1000 miles on nonstop flights. Some states, e.g. Louisiana, straddle the line. Some Louisiana airports meet the requirement, others do not. Just as the Rocky Mountain states possess beautiful scenery, Texas its reservoirs of oil and natural gas, and California its sandy beaches, so the accident of geography places some states within 1000 miles of National and others beyond. The perimeter rule, which for geographic reasons has an incidental effect on air travel from certain states, does not thereby violate the Constitution.

Have Perimeter Rule, Will Travel

[12] Houston and American finally make the unlikely contention that the perimeter rule violates passengers' constitutional right to travel. While one could search forever for a clause explicitly conferring such a right and never discover one, the Supreme Court, in *Shapiro v. Thompson*, 394 U.S. 618, 89 S.Ct. 1322, 22 L.Ed.2d 600 (1969), did find such a guarantee. The Justices struck down a residency requirement for welfare recipients on the ground that it violated the constitutional right to travel freely from state to state.

> [T]he purpose of inhibiting migration by needy persons into the state is constitutionally impermissible. This Court long ago recognized that the nature of our Federal Union and our constitutional concepts of personal liberty unite to require that all citizens be free to travel throughout the length and breadth of our land uninhibited by statutes, rules or regulations which unreasonably burden or restrict this movement.

394 U.S. at 629, 89 S.Ct. at 1328, 22 L.Ed.2d at 612. Justice Brennan's opinion rested on the right of poor persons to migrate to another state in search of a better life. Residency requirements that might hinder such movement could not survive constitutional challenge. We have here no such claim. Neither Houston nor American suggests, nor could they, that the perimeter rule operates as a residency requirement to deny persons their constitutional right to travel. At most, their argument reduces to the feeble claim that passengers have a constitutional right to the most convenient form of travel. That notion, as any experienced traveler can attest, finds no support whatsoever in *Shapiro* or in the airlines' own schedules.

Final Approach

As we line up for our final approach, we glance back over the route we have taken.

The FAA's perimeter rule for National Airport, we hold, rests on an adequate factual and statutory basis and does not violate the terms of the APA. We uphold the agency's actions and deny the petitions for review.

[13, 14] Since we uphold the 1000-mile perimeter rule, the interim 650-mile rule with its exceptions is null.[19] We must, then, dismiss the challenge to the interim rule. Only a "live" controversy can satisfy the Article III requirements governing adjudication in the federal courts. *Weinstein v. Bradford*, 423 U.S. 147, 148–49, 96 S.Ct. 347, 348, 46 L.Ed.2d 350, 352 (1975). *See also Flast v. Cohen*, 392 U.S. 83, 95, 88 S.Ct. 1942, 1950, 20 L.Ed.2d 947, 959 (1968); *Zeidman v. J. Ray McDermott & Co., Inc.*, 651 F.2d 1030, 1041–42 (5th Cir. 1981). When an administrative order lapses by its own terms, as here, a challenge to that order is moot. *Southern Pacific Terminal Co. v. ICC*, 219 U.S. 498, 515, 31 S.Ct. 279, 283, 55 L.Ed. 310, 316 (1911); *Tennessee Gas Pipeline Co. v. FPC*, 606 F.2d 1373, 1381 (D.C. Cir.1979).

NOS. 80–2030, 80–2251, PETITIONS DENIED; NO. 81–4194, DISMISSED.

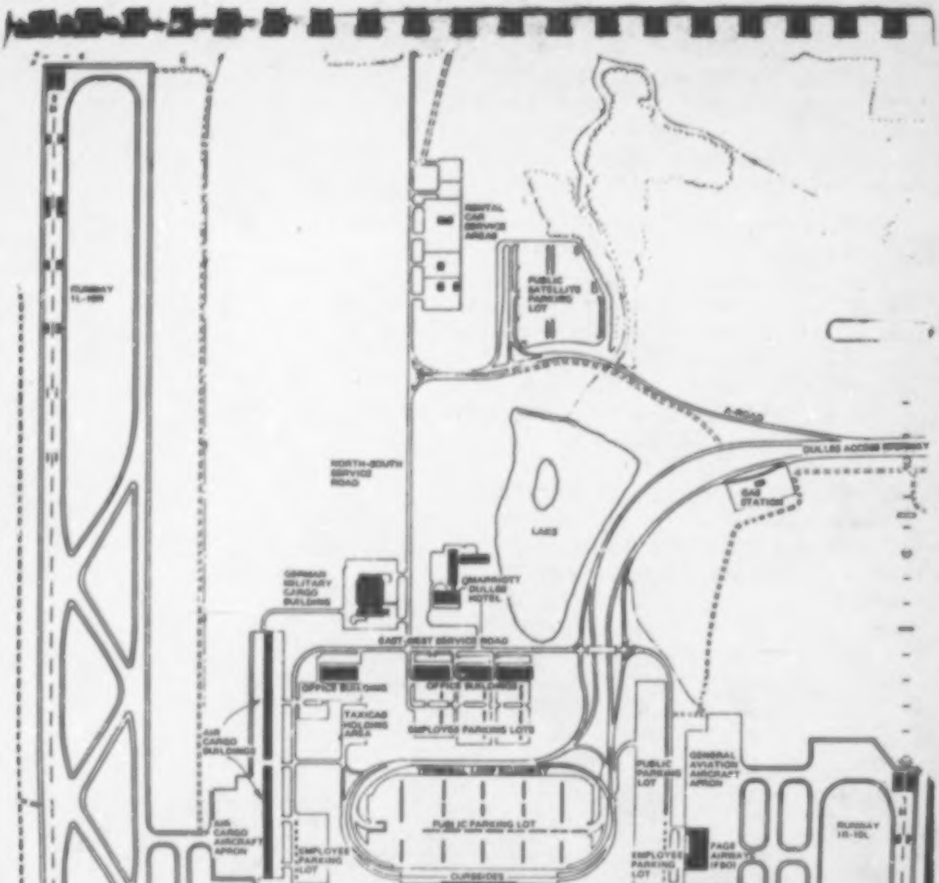

RUNWAY 1L-19R
RENTAL CAR SERVICE AREAS
PUBLIC SATELLITE PARKING LOT
NORTH-SOUTH SERVICE ROAD
LAKE
DULLES ACCESS HIGHWAY
GAS STATION
MILITARY CARGO BUILDING
MARRIOTT DULLES HOTEL
EAST-WEST SERVICE ROAD
OFFICE BUILDINGS
OFFICE BUILDINGS
TAXICAB HOLDING AREA
EMPLOYEE PARKING LOTS
AIR CARGO BUILDINGS
PUBLIC PARKING LOT
GENERAL AVIATION AIRCRAFT APRON
PUBLIC PARKING LOT
AIR CARGO AIRCRAFT APRON
EMPLOYEE PARKING LOT
EMPLOYEE PARKING LOT
PAGE AIRWAYS (FBO)
RUNWAY 1R-19L
CURBSIDES
TERMINAL BUILDING
STATION
FAA TOWER
SHOPS AND WAREHOUSE
AIR MAIL FACILITY
EQUIPMENT MAINTENANCE
AIRCRAFT PARKING APRON
CENTRAL UTILITIES PLANT
IN-FLIGHT FOOD KITCHENS
AIRCRAFT FUELING
TAXIWAY T-1
TAXIWAY T-2
TAXIWAY W-1
TAXIWAY W-2
TAXIWAY E-2
TAXIWAY E-1
HELICOPTER LANDING AREA
MOBILE LOUNGE ROADWAYS
TAXIWAY R-1
REMOTE AIRCRAFT PARKING APRON
AIRCRAFT SERVICE BUILDINGS
TAXIWAY R-2
EMPLOYEE PARKING LOT
MOBILE LOUNGE ROADWAY
SCALE IN FEET
N

EXHIBIT 3

EXISTING TERMINAL AREA

DULLES INTERNATIONAL AIRPORT

2. Air and Space Museum

Because of the size of air and space craft, even early craft that could be partially disassembled, it was considered uneconomical to provide collection storage space in Mall buildings. Therefore, the Air and Space Museum has continued using temporary metal storage buildings at a 100-acre site at Suitland, Maryland, acquired by the Institution for this purpose in the mid-1950s. During these intervening years, the Suitland area has been developed intensely, making transportation of large modern aircraft to the Air and Space facility, now known as the Paul E. Garber Facility, unfeasible.

Staff of the Air and Space Museum for the past four years have evaluated potential locations at or near airports in the Washington region that could accommodate storage and exhibition structures and permit relocation of aircraft from the Garber Facility, as well as receive by air transportation, new objects such as the NASA shuttle Enterprise and the French Concorde. This search resulted in the selection by the Museum of the Federal Reservation at Dulles International Airport, Virginia. Preliminary and informal discussions with the Federal Aviation Administration indicate that sufficient underdeveloped acreage and general interest exists to warrant serious consideration of this location and further study and planning.

The Institution, following approval of conceptual development planning by its Board of Regents, anticipates that further feasibility exploration and preliminary planning will be pursued in the coming year. Beyond this stage of development, the Institution foresees that four aircraft hangar buildings of approximately 100,000 square feet each might be constructed over a ten to fifteen year period. Amounts of $1,200,000 in FY 1987 and $12,000,000 in FY 1988 will be requested for design, site preparation, and construction of a first building.

PROJECT: National Air and Space Facility
Dulles International Airport

PROJECT DESCRIPTION: Air and space exhibit, storage and restoration shop facilities. Four hangar-type buildings, approximately 250 x 300 feet with a clear ceiling height of at least 75 feet. One building would be a combination restoration shop and storage area, while the others would be used to store and exhibit air and space craft. There would be several smaller buildings for storage of engines, tires and other aircraft parts, and for offices and a visitors' lobby. Ramp space would allow the movement of aircraft and access to an active runway, but the facility would be outside of the airport itself and accessible to visitors without going through the terminal area. Anticipated annual visitor volume of three million persons.

PROPOSED SITE: Approximately 100 acre undeveloped site between main north-south runway and Virginia Route 28. Site bounded on north by communication towers and on south by secondary airport access road.

PROPOSED DEVELOPMENT OF PROJECT: Preparation of feasibility study and master plan in FY '84 & '85, S&E funds from available balances. Design funds to be requested in FY '87 for one major building and all required supporting site development ($1.2 million). Construction funds for one building and related site development to be requested in FY '88 ($20.0 million). Construction funds for remaining buildings and related site development to be requested for FY 1990 and later ($45.0 million - not escalated).

OTHER DESIGN CONSIDERATIONS: An environmental analysis will be made. Special consideration must be given to designing a facility that is compatible with the existing terminal. Measures will be taken to mitigate impact on airport operations and area vehicular traffic. Initial hangar should have uninterrupted clear span; will accommodate large air and space craft including Space Shuttle, Concorde, 747 and 707. Floor, ramp and taxiway wheel loadings as appropriate. Roof truss to accommodate smaller aircraft suspended overhead. Building enclosure to support concept of controlled, constant temperature and humidity; energy conservation; and low maintenance, weather-tight roof and walls. Building security system. Appropriate visitor and service entrances from Route 28. Perimeter security fence roadway, and lighting. Visitor, bus and employee parking for approximately 1,000 vehicles, walkways and lighting. Supporting utilities: storm drainage, sewerage, electrical, water, gas and fire suppression system; all to consider ultimate development of 100 acre site. Energy plant to consider provision of expansion capability to support full site development.

BUDGETARY COST ESTIMATE: Initial construction starting in 1987:

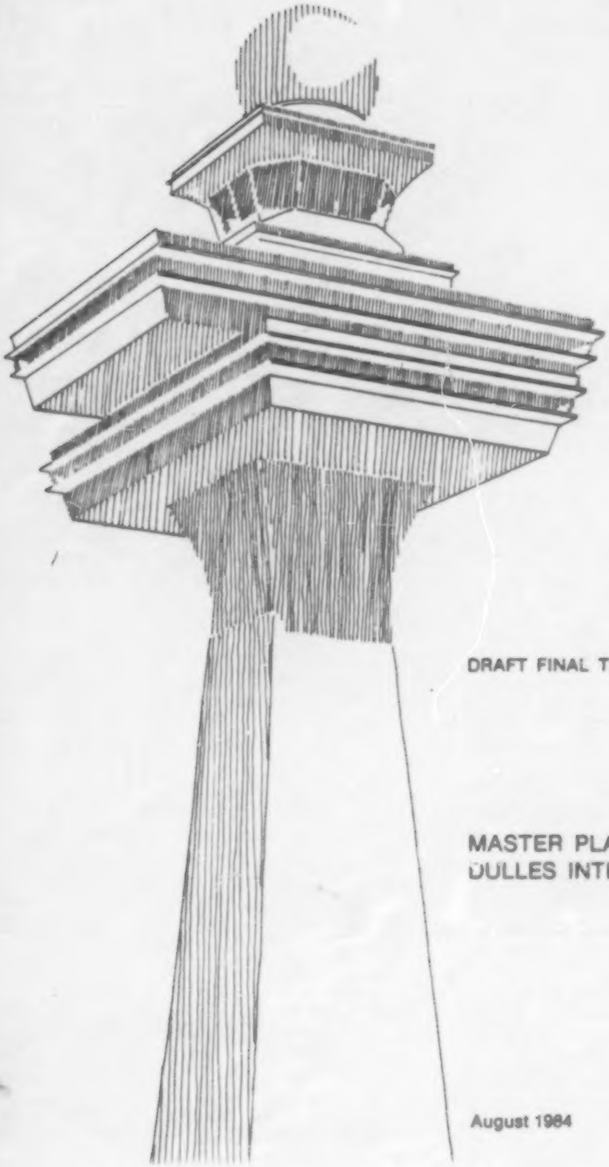
. Design and construction contract documents by architect-engineer and GSA management costs	$1.2 million
. Construction of building, including energy plant 75,000 SF x $200/SF	15.0 million
. Site development, including all site utilities, paving, fencing	2.3 million
. Escalation (15%)	2.7 million
Total	$21.2 million

PENDING ACTIONS: The Smithsonian has advertised for a professional planning firm to develop a program of requirements for the proposed facility and to evaluate the feasibility of designing buildings to be accommodated on the proposed site at Dulles. A contract for these services should be awarded by October 1, 1984. Completion of these services by late 1985 will provide most of the details necessary to confirm early planning assumptions and to permit proceeding with the project development.

National Air and Space Museum (NASM) - The National Air and Space Museum building was designed with the concept that storage of large aircraft and other objects would be achieved at another location proximate to Washington. Currently, the Museum utilizes temporary metal buildings at Suitland, Maryland, which are inadequate for the storage and exhibit of large air and space craft such as the Concorde or the Space Shuttle that will eventually become part of NASM's collection and to which it is impossible to transport fixed-wing aircraft and other large objects.

After thorough investigation of area airport facilities, the Museum has identified Federal land at the Dulles International Airport reservation site that could accommodate the Museum's air transportation requirements, as well as the construction of large hangar-type buildings needed for storage, restoration, and exhibition purposes. The Smithsonian's Regents discussed the concept at their September, 1983 meeting and approved the introduction of the pending bill at their meeting in January.

Four major buildings are envisioned in a construction program that is expected to span ten or more years. In H.R.4714 we are seeking planning and construction authority for the first of these structures with which would be asssociated the so-called infrastructure costs of the entire site. The estimated costs involved are $21,200,000.



DRAFT FINAL TECHNICAL REPORT

MASTER PLAN UPDATE
DULLES INTERNATIONAL AIRPORT

August 1984

U.S. Department
of Transportation
**Federal Aviation
Administration**

Metropolitan Washington Airports
Washington National Airport
Hangar 9
Washington, D.C. 20001

This report was prepared for the Federal Aviation Administration's Metropolitan Washington Airports by the consultant team of Peat, Marwick, Mitchell & Co. with Hellmuth, Obata & Kassabaum, and Burns and McDonnell. The report is a proposed update of the original Dulles Master Plan and documents the analyses and results of the master planning study.

Please note that the recommended phases of airport facility improvements are related to certain aviation activity indicators and not to specific calendar dates.

The estimated costs for development at Dulles are included in the report for purposes of evaluation only. There are three points to keep in mind with respect to these estimated costs. First, many of these development costs need not be incurred directly by the airport operator; e.g., air cargo areas. Second, development costs that would ordinarly be provided by the airport operator have not yet been the subject of a specific financing proposal and many of these costs will not need to be addressed for many years since they relate to physical development required in Dulles' distant future. Third, any development costs that are incurred by the airport operator will be recovered from airport tenants and user airlines through appropriate rates and charges.

While the recommendations included in the report are those of the consultant, your comments will be considered along with those recommendations to form the basis for a final master plan for Washington Dulles International Airport. Since the final master plan is intended to provide a basic plan for Dulles' development to the year 2000 and beyond, specific development projects will be reevaluated before final decisions are made to implement each project. This reevaluation will consider such things as advances in aviation technology, costs to the users, and requirements for aviation related services in the Washington, D. C., market.

PLANNING GUIDELINES AND ASSUMPTIONS

To guide the master plan studies, key planning guidelines and assumptions were established in cooperation with MWA, as follows:

Aviation Activity Forecasts

1. Activity levels corresponding to up to 8 million annual passenger enplanements are taken as the basis for estimating Airport facility requirements, evaluating alternative development concepts, and preparing the recommended Airport master plan. The 8 million passenger level is 5.5 times greater than the 1983 level.

2. Within the master plan period, planning for future Airport development is keyed to activity levels of 2 million, 4 million, and 8 million passenger enplanements.

3. Beyond the master plan period, the ultimate capability of the Airport site to accommodate potential airfield, terminal, and other facilities should be planned for and protected. This ultimate site capability, which corresponds to forecast passenger volumes of up to approximately 20 million annual passenger enplanements, has been adopted by MWA and the communities surrounding Dulles to guide long-term planning for the Airport and its environs. The 20 million passenger forecast recognizes that Dulles will be expected to accommodate an increased share of the airport needs of the Washington metropolitan region over the long term.

Airport Role

4. The primary role of Dulles will be to serve the air carrier needs of the region. Accordingly, aviation-related land uses serving air carrier activity (passengers and cargo) have the highest priority in Airport land use planning.

5. It is assumed that general aviation activity (up to a maximum of 200,000 landings and takeoffs per year) will be accommodated to the extent consistent with the Airport's primary role as an air carrier airport. Aviation-related land uses serving general aviation and other aviation activity will have a secondary priority in Airport land use planning.

Future Runways

6. Dulles is the only airport site in the region capable of providing large increases in airfield capacity. Consequently, sites for fourth and fifth air carrier runways should be reserved in the master plan to ensure that the potential long-term air carrier needs of the region are met.

Passenger Terminal

7. Future passenger terminal development is assumed to occur at the "midfield" site between the parallel Runways 1-19 and south of the existing passenger terminal building as recommended in Reference 2.

Airport Access

8. It is assumed that the Dulles Access Highway will be for the exclusive use of Airport traffic when the Toll Roads paralleling the Access Highway are opened (scheduled for late 1984).

9. A right-of-way will be reserved for potential extension of the Washington Metrorail or other rapid transit system to the Airport.

Table 3

HISTORICAL AIRCRAFT OPERATIONS
Dulles International Airport

	Air carrier[a]	Air taxi commuter	General aviation	Military	Total
1970	62,100	--[b]	83,766[b]	38,360	184,226
1975	54,464	7,653	88,609	26,947	177,673
1976	57,364	11,739	98,601	20,016	187,720
1977	55,876	6,945	109,883	13,687	186,391
1978	54,747	4,869	108,796	8,709	177,121
1979	53,181	9,210	101,175	9,408	172,974
1980	34,719	7,941	110,793	11,967	165,420
1981	29,177	9,023	105,334	11,814	155,348
1982	32,040	12,106	93,600	11,218	148,964
1983	40,926	15,955	91,199	16,920	165,000

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a. Scheduled and nonscheduled flights.
b. Air taxi/commuter included with general aviation.

Source: FAA Metropolitan Washington Airports records.

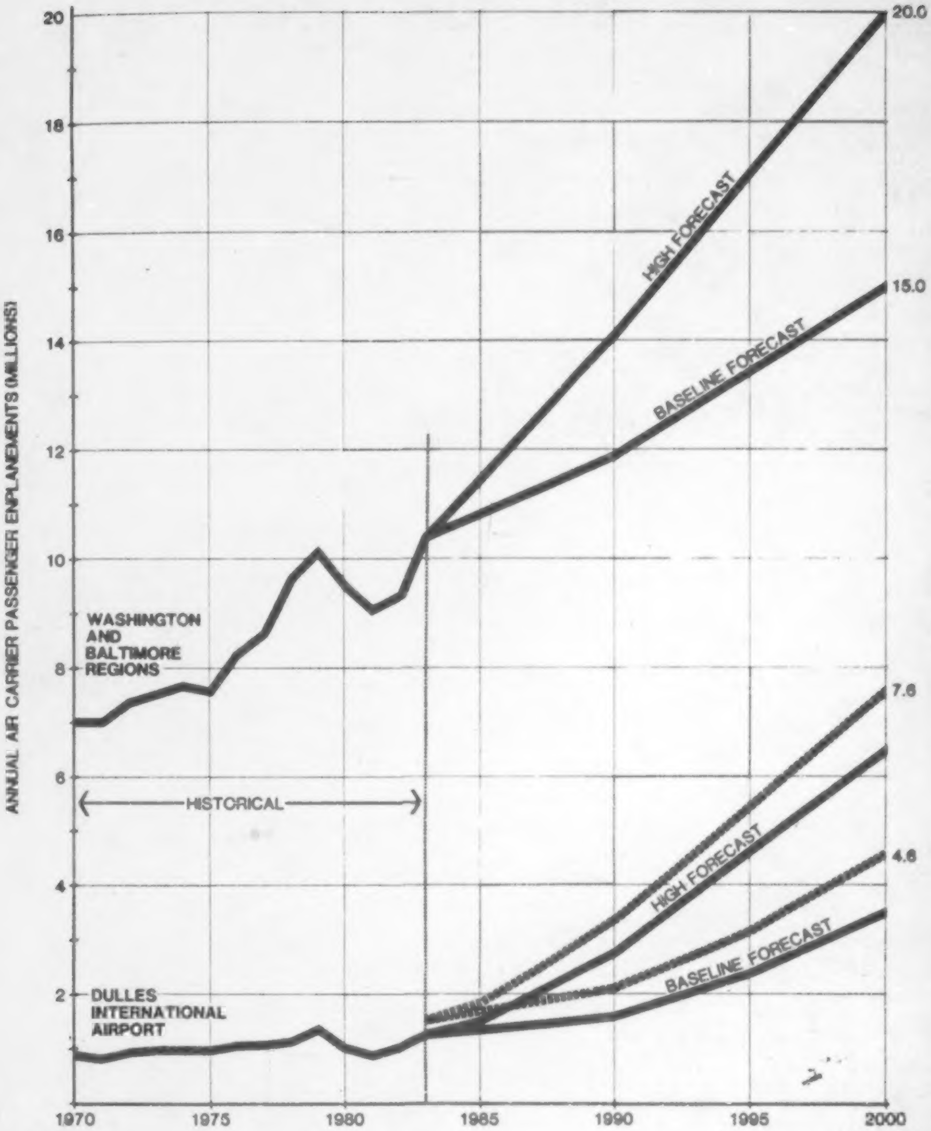

Exhibit 1

Master Plan Update
Dulles International Airport

HISTORICAL AND FORECAST PASSENGER ENPLANEMENTS

PEAT MARWICK

August 1984

Table 4

ANNUAL AVIATION ACTIVITY FORECASTS
Dulles Master Plan Update Study

These forecasts have been prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent on the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecasts.

	Planning activity level (annual passenger enplanements)			
	Existing (1983)	Forecast		
	1.46 million	2 million	4 million	8 million
Annual passenger enplanements				
Domestic				
Long-haul	670,000	880,000	1,540,000	3,150,000
Medium- and short-haul	600,000	820,000	1,750,000	3,700,000
Regional and commuter	30,000	40,000	70,000	100,000
	1,300,000	1,740,000	3,360,000	6,950,000
International	160,000	260,000	640,000	1,050,000
	1,460,000	2,000,000	4,000,000	8,000,000
Originating passengers	1,300,000	1,650,000	3,000,000	6,000,000
Connecting passengers	160,000	350,000	1,000,000	2,000,000
	1,460,000	2,000,000	4,000,000	8,000,000
Annual aircraft operations				
Air carrier	41,000	55,000	100,000	170,000
Air taxi/commuter	16,000	20,000	30,000	35,000
General aviation	91,000	120,000	160,000	200,000
Military	17,000	15,000	15,000	15,000
	165,000	210,000	305,000	420,000

Source: Peat Marwick, August 1984.

Peak Month, Average Day Passenger Enplanements

Activity on the average day of the busiest month is commonly used as the standard for planning airport facilities. On the basis of the results of passenger surveys conducted at the Airport terminal in July 1983, passenger enplanements on the average day of the peak month were estimated to be 6,400. As shown in Table 5, 5,400 (84%) of these were domestic passengers and 1,000 (16%) were international passengers; 5,700 (89%) were passengers originating their air journeys at the Airport, and 700 (11%) were transferring between flights.

At the forecast activity level of 8 million passengers, passenger enplanements are forecast to be 37,300 on the average day of the peak month. Of this total, 14,200 (38%) are forecast to be passengers on domestic long-haul flights; 16,900 (45%) on medium-haul, short-haul, or commuter domestic flights; and 6,200 (17%) on international flights. At 8 million passengers, the daily number of passengers originating their air journeys at the Airport is forecast to be 27,800 (75% of the total), and the number of passengers transferring between flights is forecast to be 9,500 (25%).

Peak Hour Passenger Enplanements

Many of the requirements for passenger terminal facilities are determined by the number of passengers enplaning or deplaning (or the number of aircraft departing or arriving) during the peak hour of the day. The current schedule of airline flights at Dulles concentrates the arrival or departure of passengers during a few hours of the day.

For domestic flights using the remote apron, about 1,350 deplaning passengers, 30% of the daily total, currently arrive at the terminal during the peak hour (typically 4:30 p.m. to 5:30 p.m.). For international flights, as many as 750 passengers, 75% of the daily total, arrive at the terminal during the peak hour (typically 2:30 p.m. to 3:30 p.m.). For all flights combined, the number of passengers enplaning or deplaning during the peak hour is currently about 1,500, close to 25% of the daily total.

As shown in Table 6, about 850 long-haul passengers arrive during the peak hour (via mobile lounges from the remote aircraft parking apron), and about 700 medium-haul and short-haul passengers arrive during the peak hour (via either the mobile lounges or the passenger concourse at the base of the FAA tower).

The hourly peaking pattern at Dulles is much more pronounced than at most large airports. (Between 10% and 15% of daily passengers typically arrive or depart during the peak hour at most airports; the figure is lower still at very busy airports.)

As overall passenger traffic levels increase at the Airport, and more medium-haul and short-haul airline service is provided, the intensity of the current traffic peaking pattern is likely to decrease. However, the location of Dulles on the East Coast and the high proportion of transcontinental and transatlantic flights serving the Airport dictate that many flights will continue to be scheduled during the late afternoon and early evening hours. (At J. F. Kennedy International Airport, where the nature of much airline service is similar to that at Dulles, albeit at higher levels, about 18% of daily domestic passenger enplanements typically occur during the evening peak hour.)

Estimates of future terminal facility requirements are sensitive to the percentage of future passengers that are assumed to be accommodated during the peak hour of the day. To take this sensitivity into account, the forecasts shown in Table 6 reflect a range of assumptions about future peaking characteristics. At 8 million annual passenger enplanements, it was assumed that between about 10% and 15% of total daily passenger enplanements will occur during the peak hour of the day. For international flights, it was assumed that between about 30% and 40% of daily passenger enplanements will occur during the peak hour.

3. SUMMARY OF EXISTING AIRPORT FACILITIES

Dulles International Airport is approximately 26 miles west of central Washington, D.C., astride the boundary between Fairfax and Loudoun Counties, Virginia, and is at an elevation of 312 feet. The Airport and the Dulles Access Highway cover 10,943 acres, of which 7,508 are in Loudoun County and 3,435 are in Fairfax County. The Airport opened in November 1962.

This chapter briefly outlines existing Airport facilities. More detailed descriptions and evaluations of existing facilities are given in subsequent chapters, or in separate study reports, as noted. A detailed inventory of facilities is given in Reference 9.

Exhibits 2 and 3 show existing land uses and facilities at the Airport. Land uses are classified as follows:

Airfield (runways, taxiways, clear zones, and runway approach areas). The parallel north-south runways (Runways 1L-19R and 1R-19L) are 11,500 feet long and are separated laterally by 6,700 feet. The crosswind Runway 12-30 is 10,000 feet long. (See Chapter 4.)

Passenger Terminal (including aircraft parking aprons). The existing passenger terminal area at Dulles was planned and developed in accordance with a concept whereby airline aircraft are parked at a remote apron and passengers are transported between the terminal building and the aircraft via mobile lounge transporters. The existing remote apron provides 30 designated aircraft parking positions. An aircraft parking apron immediately south of the terminal building at the base of the air traffic control tower provides an additional 10 aircraft parking positions for local service flights. (See Reference 2.)

Public Automobile Parking. The parking area immediately north of the terminal building accommodates 3,500 public and rental car parking spaces. A lot east of the main lot has 1,250 parking spaces, and a new satellite lot under construction north of the A-road area has 1,430 parking spaces. (See Chapter 6.)

Air Cargo. The existing air cargo area occupies about 25 acres northwest of the terminal building. An aircraft parking apron provides four parking positions for all-cargo aircraft (B-727 size). (See Chapter 8.)

Airline Support. In-flight food kitchens are located in a 2-acre area east of the terminal building.

Airport Support. Areas adjacent to the terminal building accommodate an Airport shops and warehouse building, an equipment maintenance building; a crash, fire, and rescue (CFR) station; a central utilities building; an aircraft fueling facility; employee parking; and other Airport support facilities. The rental car service area is sited north of the terminal area off the north-south service road. The Airport fuel farm is on the eastern Airport boundary. Airport maintenance and storage facilities are located south of the approach to Runway 30.

General Aviation Commercial. Page Airways, the fixed base operator, provides facilities for general aviation aircraft at a site northeast of the terminal area. The aircraft parking apron and hangar buildings used by the fixed base operator occupy about 15 acres. (See Chapter 9.)

Nonaviation Commercial. Four office buildings (including one under construction) with associated employee parking areas are located north of the terminal loop roadway. The Marriott Dulles hotel occupies the site north of the east-west service road adjacent to the lake.

Airport Access Corridor. The Dulles Access Highway is a four-lane, limited-access, divided highway linking the Airport to Washington. Use of the Dulles Access Highway is generally restricted to Airport traffic. The Access Highway ends in a terminal loop roadway serving upper (enplaning) and lower (deplaning) curbsides at the terminal building. (See Chapters 5 and 7.)

Open Space. Undeveloped landscaped areas in the terminal area are designated as open space.

AIRSPACE AND AIR TRAFFIC CONTROL

Airspace in the vicinity of Dulles serves several airports and accommodates a wide range of aviation activities, both civil and military, in IFR (instrument flight rules) and VFR (visual flight rules) weather conditions. The FAA regulates the operation and use of the airspace, which is divided into different jurisdictions and areas for purposes of air traffic control (ATC). The airspace delegated to the Dulles Terminal Radar Approach Control facility (TRACON) for IFR approach and departure control is shown on Exhibit 5, together with generalized IFR traffic flows. The control of aircraft on and in the immediate vicinity of the Airport is delegated to the Dulles Airport Traffic Control Tower. The TRACON and the tower are considered by the FAA to be one facility and are under the jurisdiction of one facility manager.

Established air traffic control procedures and facilities provide for the safe, orderly, and expeditious flow of traffic for existing levels of aviation activity.

Because Washington National Airport is so close, the available airspace to the east of Dulles is limited and constrains Dulles operations. The eastern boundary of the airspace delegated to the Dulles TRACON is only about 5 nautical miles east of Dulles, which allows barely sufficient airspace for an IFR downwind leg to the east and does not provide manuevering room for ATC spacing. Although the limited available airspace east of the Airport allows current traffic volumes to be accommodated, it reduces ATC flexibility and could prove to be a more significant constraint on Airport operations in the future, especially if dual simultaneous independent IFR approaches to Runways 1L-19R and 1R-19L are reestablished.

A second potential airspace constraint is an area of restricted airspace about 18 nautical miles south of the Airport that has been designated for U.S. Marine Corps training activities. Dulles aircraft operations must avoid this restricted area, which also reduces ATC flexibility and could interfere with the positioning of aircraft for dual simultaneous independent IFR approaches to Runways 1L and 1R.

As noted earlier, all runway approaches, except for Runway 30, are equipped with precision instrument landing systems (ILS). However, current ATC operating procedures permit only a single independent arrival stream to the Airport during IFR weather conditions. The FAA generally permits dual independent simultaneous ILS approaches to parallel runways with centerlines spaced at least 4,300 feet apart, provided certain other requirements are met. Although the centerlines of Runways 1L-19R and 1R-19L at Dulles are 6,700 feet apart, dual simultaneous independent ILS approaches to the Airport are not currently authorized by the FAA. As a result, increased aircraft separations are required during IFR weather conditions, which reduces airport capacity and will increase aircraft delays as traffic volumes increase. The reestablishment of procedures to allow dual simultaneous IFR approaches onto the parallel runways will be necessary if the capacity of the existing airfield is to be used effectively.

A joint task force of the FAA and the aviation industry that was asked to study potential airport capacity improvements and reductions in aircraft delays is currently considering concepts for simultaneous independent instrument approaches to three runways (triple arrival streams under IFR conditions). These concepts could have application and potential capacity benefits at Dulles, both for the existing runway configuration and if additional runways were to be constructed.

According to the task force, the capability to operate triple arrival streams under IFR conditions to three parallel runways (as might be operated at Dulles in the future) appears to be achievable with today's ATC equipment if the runways are separated laterally by about 5,000 feet and if sufficient airspace is available for conducting the necessary procedures. The FAA is currently investigating the general circumstances and changes in ATC rules and procedures that would be necessary to allow triple independent IFR approaches to three parallel runways. In the case of Dulles, some changes in the airspace delegated to Dulles are likely to be required.

The prospects for operating triple IFR arrival streams to two parallel and one converging runway (as currently exist at Dulles) are less promising. This concept will require substantial research, development, and testing by the FAA to determine its feasibility.

Recommended Runway Concept

The requirements for future runways will depend on the level of aviation activity to be served. This level will in turn depend on many factors, including the growth of demand in the Washington and Baltimore regions, the activity accommodated at other regional airports, and MWA's policies on providing facilities to accommodate general aviation activity at Dulles.

On the basis of the economic analyses summarized in the preceding section, the development of an intermediate-length third north-south parallel runway (Concept H) should be included in the Airport master plan (to meet the 8 million annual passenger enplanement level). The runway would be designed and constructed to allow its eventual extension to a full-length air carrier runway (Concept B), and to allow its interim use by commuter airline and short/medium-haul air carrier operations in addition to general aviation operations. Although none of the other runway concepts is likely to be economically justified in the planning period, the potential future development of a parallel Runway 12R-30L separated by at least 4,300 feet from the existing runway (Concept G) should also be provided for in the master plan.

Although the need for the fourth and fifth full-length air carrier runways is not likely to arise until well beyond the year 2000, the acquisition of the land required to allow eventual development of the runways should be included in the master plan as a high-priority item. Dulles is the only airport in the Washington and Baltimore regions where there is adequate land for such major runway construction in the future, and an overriding objective of the Airport master plan should be to ensure that the sites for the two potential runways are protected so as to allow their eventual construction when needed.

As illustrated by the analysis of Concept H, significant future savings in delays to air carrier aircraft could be achieved if general aviation activity at Dulles were to be restricted to those general aviation operations that cannot conveniently be accommodated at another airport (or other airports).

MWA policy recognizes that Dulles should accommodate its share of regional general aviation activity to the extent compatible with its role as an air carrier airport. Accordingly, the master plan studies have assumed that up to 200,000 general aviation operations may eventually be accommodated at Dulles. However, the accommodation of much of this general aviation activity at a suitably located and appropriately equipped reliever airport site could generate significant benefits and therefore warrants serious consideration.

Table 15

ACCESS TRAVEL MODES AND PASSENGERS PER VEHICLE
Dulles International Airport
Peak Month, Average Weekday, 1983

Access travel mode	Percentage of air passengers[a]	Number of air passengers[a]	Air passengers per vehicle[b]	Number of vehicles[c]
Private car (car parked at Airport)	26%	1,500	1.3	1,100
Private car (passenger drop-off/pick-up)	36	2,000	0.7	2,800
Taxicab	12	700	1.1	600
Rental car	15	800	1.1	600
Airport bus or limousine	8	500	5.0	200
Courtesy or other vehicle	3	200		
All modes	100%	5,700	1.1	5,000

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a. Average for originating and destination passengers.

b. Number of air passengers divided by number of vehicle trips associated with those passengers (including "empty" vehicle trips before picking up or after dropping off passengers).

c. One-way, 24-hour traffic, either entering or exiting the Airport.

Source: Peat Marwick, August 1984.

Table 16

FORECASTS OF DULLES ACCESS HIGHWAY TRAFFIC
Dulles International Airport
Peak Month, Average Weekday

	Planning activity level (annual passenger enplanements)			
	Existing (1983)	Forecast		
	1.46 million	2 million	4 million	8 million
Average daily vehicles (entering or exiting Airport)				
Passenger traffic	5,000	6,500	12,000	23,000
Employee traffic	4,000	4,500	6,000	9,000
Other Airport traffic	3,000	3,500	4,500	7,000
Total	12,000	14,500	22,500	39,000
Peak hour vehicles (evening peak exiting Airport)	1,550	1,750	2,400	4,000

Note: Traffic estimates are for Airport-related trips only. Non-Airport "backtracker" traffic is excluded.

Source: Peat Marwick, August 1984. See accompanying text for explanations.

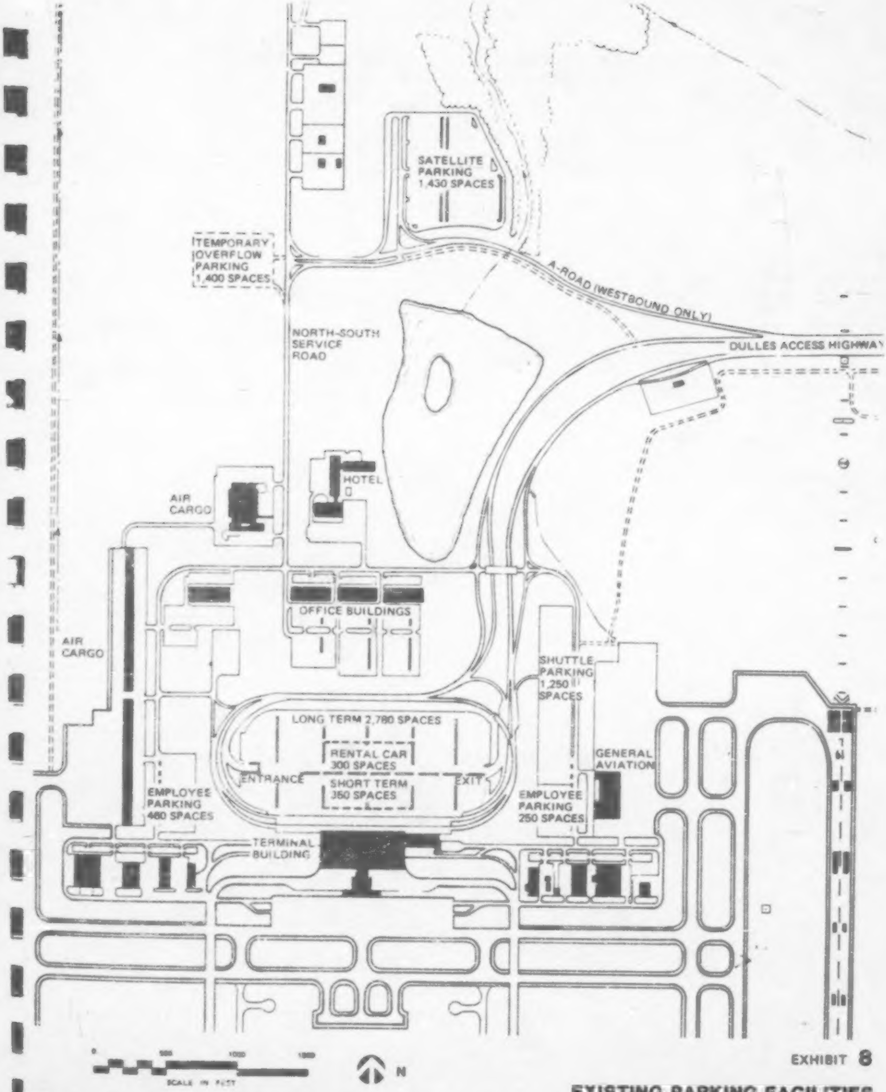
SATELLITE PARKING 1,430 SPACES
TEMPORARY OVERFLOW PARKING 1,400 SPACES
A-ROAD (WESTBOUND ONLY)
DULLES ACCESS HIGHWAY
NORTH-SOUTH SERVICE ROAD
HOTEL
AIR CARGO
OFFICE BUILDINGS
AIR CARGO
SHUTTLE PARKING 1,250 SPACES
LONG TERM 2,780 SPACES
RENTAL CAR 300 SPACES
ENTRANCE
SHORT TERM 350 SPACES
EXIT
GENERAL AVIATION
EMPLOYEE PARKING 480 SPACES
EMPLOYEE PARKING 250 SPACES
TERMINAL BUILDING
0
500
1000
1500
SCALE IN FEET
N

EXHIBIT 8

EXISTING PARKING FACILITIES

STUDY TO UPDATE MASTER PLAN DULLES INTERNATIONAL AIRPORT

Table 19

EXISTING PUBLIC AND RENTAL CAR PARKING SPACES
Dulles International Airport

	Public				
	Long-term	Short-term	Rental car ready/return	Congressional/ diplomatic	Total
Main lot	2,780	290	370[a]	60	3,500
Shuttle lot	1,250	--	--	--	1,250
Satellite lot[b]	1,430	--	--	--	1,430
Total	5,460	290	370	60	6,180

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a. Including 70 rental car parking spaces beneath the deplaning curbside roadway.

b. Scheduled to be opened in October 1984. Excludes second 1,000-space increment planned to be opened at the end of 1985.

Source: FAA Metropolitan Washington Airports, August 1984.

8. AIR CARGO

EXISTING FACILITIES

Air cargo is currently handled at three air cargo buildings located northwest of the terminal building (see Exhibit 3 on page 23). A fourth building is currently under construction. The buildings are 60 feet wide, and upon completion of the fourth building, will cover a total of 114,000 square feet. An 80-foot-wide area for baggage tug circulation and outside storage extends the length of the buildings on the west side and a 100-foot-wide truck parking and circulation area extends the length of the buildings on the east side. An aircraft parking apron adjacent to the two south cargo buildings covers about 240,000 square feet (including an extension under construction) and has four designated parking positions capable of accommodating up to B-727-size cargo aircraft.

Air mail is handled by the U.S. Post Office through an Air Mail Facility immediately south of the air cargo buildings. Air cargo is also handled through the German military cargo building located northwest of the four cargo buildings. In combination, all the existing air cargo and air mail facilities (including the fourth air cargo building and the German military cargo building) occupy about 180,000 square feet of building floor area and about 25 acres of land.

HISTORICAL AIR CARGO

Table 23 gives data on historical air cargo enplaned and deplaned at Dulles. From a high of 121 million pounds in 1978 (46 million pounds of mail and 75 million pounds of freight), air cargo declined to 92 million pounds in 1982 (34 million pounds of mail and 57 million pounds of freight). In 1983, mail remained at 34 million pounds. However, freight increased by over 40% to 81 million pounds for a combined total of 115 million pounds, enplaned plus deplaned. The jump in air cargo in 1983 reflects the start of all-cargo operations at Dulles by Airborne Express, Emery Worldwide, and Federal Express since early 1982.

In 1978, Dulles handled 32% of the total air mail handled at Dulles and National and 47% of the freight handled at the two airports. In 1983, Dulles handled 26% of the air mail and 69% of the freight.

In 1983, 67% of the air freight handled at Dulles was domestic, and 33% was international. An estimated 80% was carried in the baggage holds of passenger aircraft, and 20% was carried in all-cargo aircraft.

Table 23

HISTORICAL AIR CARGO
Dulles International Airport

	Enplaned plus deplaned cargo (pounds)		
	Mail	Freight	Total
1970[a]	31,003,000	39,283,000	70,286,000
1975[a]	32,909,000	62,857,000	95,766,000
1976	30,233,000	67,822,000	98,055,000
1977	38,241,000	70,705,000	108,946,000
1978	45,920,000	75,278,000	121,198,000
1979	48,134,000	72,811,000	120,945,000
1980	47,388,000	54,738,000	102,126,000
1981	39,732,000	52,836,000	92,568,000
1982	34,458,000	57,376,000	91,834,000
1983	34,056,000	80,998,000	115,054,000

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a. Fiscal year ended June 30.

Source: FAA Metropolitan Washington Airports records.

9. GENERAL AVIATION

EXISTING FACILITIES

Page Airways, the fixed base operator (FBO) at the Airport, provides a full range of services to general aviation aircraft (both aircraft based at the Airport and itinerant flights). Page Airways also services military passenger flights operated by the Royal Air Force (VC-10 aircraft) and the Luftwaffe (B-707 aircraft), charter, and other nonscheduled air carrier flights. The Page Airways building and aircraft parking apron occupy about a 15-acre site east of the terminal loop roadway at the north end of Runway 1R-19L. The hangar and maintenance building has a floor area of about 60,000 square feet, including a recently completed addition.

About 60 general aviation aircraft are currently based at the Airport. Of these, about 20 are business jet aircraft, 20 are multiengine propeller aircraft, and 20 are single-engine propeller aircraft. The Airport also regularly accommodates large numbers of itinerant general aircraft, and parking space for over 200 aircraft is often required.

The hangar and aircraft parking apron areas at the Page Airways site can accommodate only about 100 aircraft so that large numbers of aircraft are required to park outside the site. The "midfield" area between Taxiways T-2 and R-1 is used for parking light general aviation aircraft and has tiedown spaces for 90 aircraft. The helicopter landing area (south of Taxiway T-2) and Taxiways E-1 and W-1 (north of Taxiway T-1) are also routinely used for aircraft parking. The use of these taxiways for aircraft parking causes delays to taxiing aircraft, especially for aircraft taking off to the south on Runway 1R-19L. Approximately 10 acres outside of the Page Airways site are currently used for parking general aviation aircraft.

REQUIRED FACILITIES

The estimated future requirements for general aviation facilities are given in Table 25. The requirements were estimated assuming an increase from 91,000 general aviation operations in 1983 to 200,000 annual operations by the end of the master plan period, taking into account the types of aircraft expected to use the facilities. Up to 60 acres would be required to accommodate the forecast growth in general aviation activity (compared with the 25 acres currently used).

Table 25

ESTIMATED GENERAL AVIATION REQUIREMENTS
Dulles International Airport

	Planning activity level (annual passenger enplanements)		
	Existing (1983)	Forecast	
	1.46 million	4 million	8 million
Annual general aviation operations	91,000	160,000	200,000
Required aircraft basing areas (acres)			
Page Airways site	15	15	20
Second FBO site	--	15	20
Midfield area	10	--	--
Noncommercial	--	10	20
	25	40	60

Source: Peat Marwick, August 1984.

10. AVIATION SUPPORT

AIRLINE SUPPORT FACILITIES

Airport facilities that are classified as "Airline Support" on the existing Airport land use plan (Exhibit 2 on page 22) include only the in-flight food kitchens, which occupy a four-acre site east of the terminal building. The expansion of these facilities that is likely to be required to meet forecast increases in passenger enplanements cannot be accommodated at the existing site. The recommended Airport land use plan (Exhibit 24 on page 126) provides a 15-acre site at the north of the terminal area, east of the north-south service road, for future expansion of in-flight kitchens and similar airline support facilities.

Currently, no hangars or other facilities are provided at Dulles for the maintenance and overhaul of airline aircraft, and the future requirements for such facilities are uncertain. However, as Dulles becomes an increasingly busy airline airport, it is likely that airlines will wish to locate maintenance facilities at the Airport. These facilities must be located to allow aircraft access to and from the airfield. The recommended land use plan provides a 35-acre site for the development of airline maintenance hangars and aircraft parking aprons east of the north end of Runway 1L-19R. For longer-term expansion, a 150-acre site is identified south of Runway 12-30.

AIRPORT SUPPORT FACILITIES

Facilities classified as "Airport Support" on the existing Airport land use plan include (1) facilities for Airport engineering, operations, maintenance, and utilities, (2) crash, fire, and rescue (CFR) stations, (3) aircraft fuel storage and distribution facilities, (4) rental car and other ground transportation support facilities, and (5) employee parking (discussed in Chapter 6).

Airport Operations and Maintenance

Two buildings west of the terminal building house Airport support activities: a shops and warehouse building, which houses engineering, warehousing, and machine shops; and an equipment maintenance building, which serves as the maintenance and storage base for the mobile lounge vehicles. Only limited expansion at these two sites is possible; moreover, the sites might more logically be used for expansion of the Air Mail Facility (which is located between the two Airport support buildings) or for other activities that should be located adjacent to the terminal building. Buildings housing the central Airport utilities plant are located immediately east of the terminal building.

Airport support activities are also housed in a complex of buildings at the south of the Airport. These buildings house various facilities for storing, maintaining, and repairing Airport vehicles and equipment. Sufficient area is available at the south site to accommodate all required expansion (or relocation of facilities from the passenger terminal area). A surfaced service road (running east of Runway 1R-19L) is required to provide access from the terminal area to the south Airport support area.

Crash/Fire/Rescue

The main CFR building, west of the terminal building, is well located to provide CFR coverage for the existing airfield and runway uses and contains some space for future expansion. A secondary CFR station, located in the south support area, provides additional coverage and could also be expanded. An analysis of applicable fire codes and FAR Part 139 determined that these two sites would provide full CFR coverage for the existing and planned future runways.

To enhance CFR response times, roadways (unsurfaced) should be provided to allow rapid access for CFR vehicles from the ends of all runways (approximately along their extended runway centerlines) at least to the ends of the runway clear zones.

Aircraft Fueling

The existing aircraft fueling system consists of aboveground floating roof storage tanks at the fuel farm site on the eastern boundary of the Airport, with pumping and filter separation to a five-pipe underground hydrant fueling system serving the remote aircraft parking apron. An underground tank storage and truck fill stand west of the terminal building is provided for general aviation and other aircraft service.

An analysis of the capability of the existing system was conducted to determine the adequacy of storage, pumping, and piping systems to serve through the planning period. The existing system was planned for an ultimate capacity of approximately 480 million gallons annually, which would meet the estimated requirements at 8 million passenger enplanements.

Rental Car Service

Rental car service and storage areas serving Avis, Hertz, National, and Dollar occupy an eight-acre site east of the north-south service road north of the A-road. As described in Chapter 6, 370 rental car ready/return spaces are provided in the main parking lot adjacent to the terminal building and occupy about three acres. To meet the space requirements of rental car service facilities and ready/return car parking, an area of approximately 30 acres should be reserved at the service area site to meet forecast needs at the 8 million passenger level.

13. RECOMMENDED AIRPORT MASTER PLAN

This chapter summarizes and integrates the conclusions and recommendations of the preceding chapters (and the recommendations of the passenger terminal planning studies documented in Reference 2) and documents the recommended master plan for Airport development through the planning activity level of 8 million annual passenger enplanements. The chapter describes (1) an Airport land use plan showing recommended uses for all areas of the Airport (Exhibit 24), (2) an Airport development phasing plan showing the recommended development of airfield and other facilities, by development phase (Exhibit 25), (4) a terminal area plan showing the recommended development of roadways and other facilities in the terminal area (Exhibit 26), and (5) a listing of recommended developments, with estimated costs, by phase.

RECOMMENDED MASTER PLAN

The recommended Airport master plan is intended to ensure that Dulles can be developed to accommodate changes in the requirements of airline service and passengers, air cargo, ground transportation, and other Airport land uses and developments that may occur through the planning activity level of 8 million annual passenger enplanements and beyond. Under "high" forecast assumptions, 8 million passengers would occur by the year 2000; under "baseline" assumptions, they would occur by 2015.

Key recommendations of the master plan (to meet estimated requirements at 8 million passenger enplanements) may be summarized as follows:

Land Acquisition

1. Acquire and reserve approximately 900 acres of land to the west of the Airport to provide land for potential future construction of a third full-length north-south runway parallel to and at least 2,500 feet west of Runway 1L-19R.

2. Acquire and reserve approximately 200 acres of land to the south of the Airport for potential future construction of a full-length crosswind runway parallel to and at least 4,300 feet south of Runway 12-30.

Airfield

3. Construct additional taxiways, aircraft parking aprons, and improvements to the geometry of the existing runways and taxiways as required to improve airfield operations.

4. When needed, construct a third north-south runway (parallel to and at least 2,500 feet west of Runway 1L-19R) to an interim length capable of accommodating short/medium-haul air carrier operations. The interim-length runway would represent the first construction stage of a potential full-length air carrier runway.

Passenger Terminal

5. Continue using the existing remote aircraft parking apron and mobile lounge system for transporting passengers to and from the main terminal building (for international and domestic flights). Expand the south side of the apron when required to allow unrestricted use of the apron by large aircraft.

6. Construct a passenger concourse in the "midfield" area between the main terminal building and the remote aircraft parking apron, in stages, to meet the requirements of domestic flights and passengers not accommodated conveniently by the remote apron and mobile lounge system.

7. Construct an underground people-mover system to transfer passengers between the main terminal building and the midfield concourse.

8. Continue using the south concourse of the main terminal building to serve commuter airline flights. Expand the concourse on one level as required to meet the needs of commuter airline operations.

9. Expand the main passenger terminal building from its existing length of 600 feet to 1,240 feet, in stages, as required to accommodate increased passenger ticketing, baggage handling, international arrivals, and other activities.

Airport Access

10. When the Toll Roads paralleling the Dulles Access Highway are opened to serve the needs of commuters and other local service traffic, prohibit local service traffic from using the Access Highway and restrict its use to Airport traffic.

11. Construct a loop ramp at the interchange between Route 28 (Sully Road) and the Access Highway for traffic traveling eastbound from the Airport to northbound Sully Road.

12. Limit the number of additional points of access to Sully Road to ensure that it can be upgraded to a limited-access divided highway to serve as a second high-level-of-service access route to and from the Airport.

13. Construct additional lanes on the Dulles Access Highway when they are required to meet the needs of Airport traffic and maintain a high level of service on the Access Highway (up to one additional lane in each direction between the Capital Beltway and Sully Road and up to two additional lanes in each direction between Sully Road and the terminal loop roadway).

14. Provide a right-of-way for potential future extension of Metrorail (or other rail transit) in a tunnel from the median of the Access Highway to the passenger terminal building.

Automobile Parking

15. When required, construct additional public automobile parking at the satellite lot north of the terminal area, in stages, to meet the needs of long-term parkers. Provide frequent shuttle bus service between the satellite parking lot and the terminal building.

16. As the demand for parking increases, convert the existing main parking lot inside the terminal loop roadway to a lot predominantly serving short-term parkers. If the demand for short-term parking exceeds the capacity of the existing lot, consider the construction of a second-level deck over the existing lot.

Circulation Roadways

17. Construct the A-road eastbound from the satellite parking lot and construct a grade-separated interchange between the A-road and the Access Highway to allow direct access in both directions between the A-road and the Access Highway and between the A-road and the terminal building.

18. When required, construct additional lanes on the east-west service road between the air cargo area and the diamond interchange with the Access Highway, including a second bridge over the Access Highway.

19. Improve and widen other Airport circulation and service roadways as required to maintain high levels of service on the roadways.

Air Cargo

20. Reserve an area north of the existing air cargo area to permit the expansion of aircraft parking aprons and buildings for air cargo.

General Aviation

21. General aviation activity at the Airport should be restricted to a level consistent with Dulles' primary role as an air carrier airport. General aviation basing facilities should be developed only so far as would be consistent with this role.

22. Additional required general aviation basing facilities (both commercial and noncommercial) should be provided at a site north of the future air cargo area east of the north end of Runway 1L-19R.

Other Aviation Facilities

23. Most Airport property should be reserved for future aviation-related development. Specific development should occur in conformance with the recommended Airport land use plan described in the following section.

RECOMMENDED LAND USE PLAN

Exhibit 24 illustrates the recommended Airport land use plan. The plan represents a guide for Airport development to the 8 million annual passenger enplanement level and beyond. The development of specific Airport facilities should take place in the designated land areas to ensure that:

1. Sufficient acreage is available to accommodate the long-term needs of all Airport activities.

2. Airport land is developed for appropriate uses in a logical and orderly manner.

3. Airport land is developed for uses that are compatible with the continued safe and efficient operation of aircraft on the airfield.

Airport Buffer Zone

When Dulles was originally planned, one of the objectives was to achieve compatibility with the communities and land uses surrounding the Airport by providing large clearances between the runways and the Airport boundary, including a 1,000-foot-wide "buffer zone" around the perimeter of the Airport. This zone was intended to be essentially undeveloped, have a "park-like" character, and serve as a "visual and acoustical buffer." The updated land use plan preserves this original concept by reserving an Airport Buffer Zone around the Airport boundary.

As far as possible, the Airport Buffer Zone should be preserved as an undeveloped wooded area to screen Airport operations and blend with the natural landscape surrounding the Airport. However, development may be permitted in the Airport Buffer Zone if the nature of the development is consistent with adjacent off-Airport development. Development should generally not be permitted in Airport Buffer Zone areas in the approaches to runways unless there is a compelling need for such development and suitable alternative sites are unavailable. High-activity land uses involving the assembly of large numbers of people should not be permitted in runway approach areas.

Reserved for Aviation Development

Areas shown as Reserved for Aviation Development are areas for which no specific aviation land use requirements have been identified but which should be reserved for unanticipated or potential long-term aviation needs. The Reserved area south of the approach to Runway 30 should be considered for land uses related to potential long-term development of a second "landside" terminal at the south end of the Passenger Terminal area.

National Air and Space Museum

Dulles is being considered by the Smithsonian Institution as a potential site for a new wing of the National Air and Space Museum. The new museum wing would exhibit large aircraft and spacecraft and would house restoration and storage facilities. A large complex of hangars, exhibition buildings, restoration shops, aircraft parking aprons (with taxiway access to the airfield) and automobile parking facilities would be required.

The Smithsonian Institution is about to start a study to determine more detailed space and facility requirements and evaluate alternative sites for the museum wing.

Several alternative sites for the proposed museum wing that would be compatible with the recommended land use plan were identified during the master plan studies. If a site at Dulles is selected for the museum wing, the Airport land use plan will be amended to reflect the final site selection. The master plan studies did not consider the requirements for roadways, water supply, wastewater treatment, or other utilities that would be associated with a museum wing sited at the Airport.

RECOMMENDED DEVELOPMENT PHASING PLAN

Exhibit 25 shows the recommended land acquisition areas and the recommended development of airfield, roadway, public automobile parking, air cargo, and general aviation facilities by phase of development. Exhibit 26 shows the recommended development of passenger terminal buildings, roadways, and other facilities in the terminal area.

Additional and improved Airport facilities should be developed as and when the requirement for such facilities arises. The timing of such development will depend on the nature of future demands and other factors.

To establish the priorities for Airport development, future Airport facility needs were analyzed in three phases corresponding to activity levels of 2 million, 4 million, and 8 million annual passenger enplanements. Under the "high" and "baseline" forecasts described in Chapter 2, these three phases would occur in approximately the following years:

Phase	Annual passenger enplanements	Planning year	
		High forecast	Baseline forecast
1	2 million	1985	1990
2	4 million	1990	2000
3	8 million	2000	2015

Thus, for discussion purposes, development Phases 1, 2, and 3 may be considered to approximate 5-year, 10-year, and 20-year planning periods.

Recommended Airport development is summarized for each of the three phases in the following section. Exhibit 25 shows development for Phases 1 and 2 combined (4 million passenger enplanements) and Phase 3 (8 million passenger enplanements).

Table 29

SUMMARY OF ESTIMATED AIRPORT DEVELOPMENT COSTS BY PHASE
Dulles International Airport

Costs are preliminary estimates for master planning purposes and are subject to revision following further site investigations and design studies. Costs are in millions of 1984 dollars and include allowances for architectural and engineering fees, contract administration costs, and contingencies.

	Phase 1	Phase 2	Phase 3	Total
Land acquisition	$ 7.0	$ --	$ --	$ 7.0
Airfield	$ 5.7	$ 9.2	$ 43.1	$ 58.0
Passenger terminal				
Main terminal building	$ 7.7	$42.1	$ 33.5	$ 83.3
Remote aircraft parking apron	--	6.3	5.6	11.9
Midfield concourse building and apron	39.2	16.0	18.1	73.3
Underground people-mover system	23.0	--	2.0	25.0
South concourse	--	6.0	--	6.0
Subtotal--passenger terminal	$69.9	$70.4	$ 59.2	$199.5
Roadways and parking	$ 1.8	$13.9	$ 30.9	$ 46.6
Air cargo	$ 2.9	$ 3.1	$ 6.0	$ 12.0
General aviation	$ 1.1	$ 0.7	$ 3.0	$ 4.8
Utilities and support	$ --	$11.0	$ 5.0	$ 16.0
Total--all phases	$88.4	$108.3	$147.2	$343.9

Source: Burns & McDonnell, Peat Marwick, HOK, and MWA, August 1984.

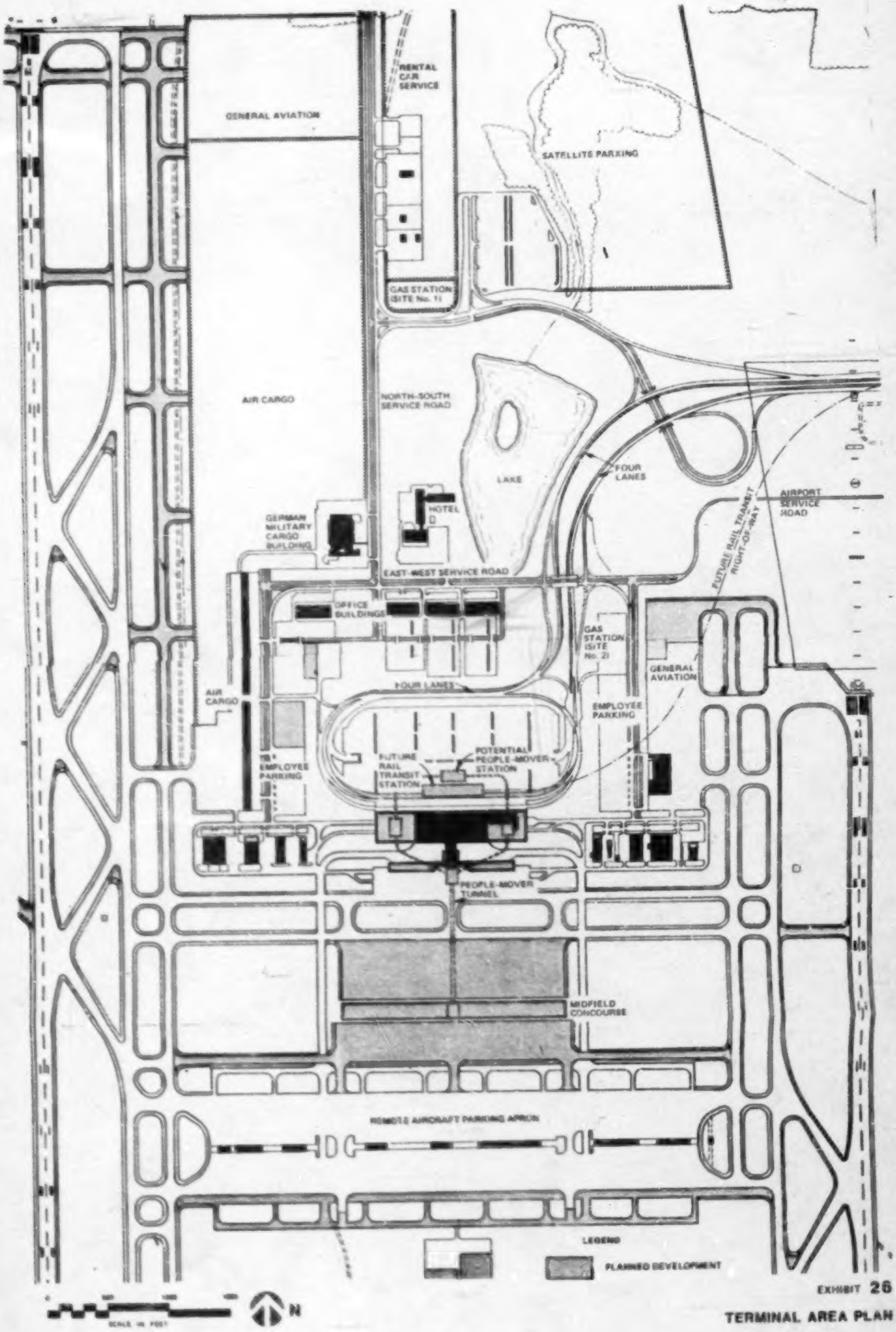
GENERAL AVIATION
RENTAL CAR SERVICE
SATELLITE PARKING
GAS STATION (SITE No. 1)
AIR CARGO
NORTH-SOUTH SERVICE ROAD
LAKE
FOUR LANES
AIRPORT SERVICE ROAD
FUTURE RAIL TRANSIT RIGHT-OF-WAY
GERMAN MILITARY CARGO BUILDING
HOTEL
EAST-WEST SERVICE ROAD
OFFICE BUILDINGS
GAS STATION (SITE No. 2)
GENERAL AVIATION
FOUR LANES
AIR CARGO
EMPLOYEE PARKING
EMPLOYEE PARKING
FUTURE RAIL TRANSIT STATION
POTENTIAL PEOPLE-MOVER STATION
PEOPLE-MOVER TUNNEL
MIDFIELD CONCOURSE
REMOTE AIRCRAFT PARKING APRON
LEGEND
PLANNED DEVELOPMENT
SCALE IN FEET
N

EXHIBIT 26

TERMINAL AREA PLAN

NATIONAL CAPITAL PLANNING COMMISSION
1325 G STREET N.W.
WASHINGTON, D.C. 20576

NCPC File No. MP10

WASHINGTON DULLES INTERNATIONAL AIRPORT
FAIRFAX AND LOUDOUN COUNTIES, VIRGINIA
DRAFT CONSULTANTS' DOCUMENTS (MASTER PLAN UPDATE)

Report to the Federal Aviation Administration and
Fairfax and Loudoun Counties

March 7, 1985

The Commission:

1. endorses, as a basis for completion of the updating of the Master Plan for Washington Dulles International Airport, the following proposed elements and concepts contained in the draft consultants' documents:

a. the land uses shown on the draft consultants' land use map (NCPC Map File No. 2301.00(38.00)-29563); and

b. the provisions covering (1) land acquisition and runway developments and improvements, (2) passenger terminal expansion, including the midfield/concourse and connecting underground people mover, (3) the satellite parking concept "A", (4) the widening of the Airport Access Highway, and (5) future construction of a Metro or other rail or similar mass transit connector in the access highway median, with an underground station at the terminal;

2. requests that, in the submission of the updated master plan, the Federal Aviation Administration (FAA) include:

a. a long-range concept plan for the airport at its proposed ultimate capacity of 40 million annual passengers, indicating ultimate development character and showing how the developments proposed in the updated master plan conform to the ultimate development concepts;

b. an alternative development phasing program for the facilities and improvements needed to accommodate the additional passenger load resulting from implementation of the Commission's policy to phase out Washington National Airport as a major commercial airport; and

c. all master plan elements, in addition to the proposed land use map, specified in the Commission's Master Plan Submission Requirements, giving special attention to providing:

(1) in the Circulation Plan:

(a) forecasts for vehicular traffic with an alternative assumption providing for rapid-rail service and a reflection of those forecasts in the parking and other circulation proposals;

(b) a conceptual scheme for the widening and other improvements of the Dulles Access Highway necessary to accommodate future development of Dulles;

(c) indication of the proposed widening of and interchange locations on Route 28, and an evaluation of the impacts of such improvements on airport property;

(d) an overall design concept for the remote parking lot, showing relationships among the several planned phases and indicating the stage(s) at which road improvements will be required for the expanded parking, indicating any impacts on existing stream valleys and woods and measures for preserving the wooded area along Horsepen Run;

(e) an analysis of impacts of the proposed A-Road interchange with the Access Highway on vistas of the airport terminal from the roadway, with proposals for minimizing any impacts on those vistas; and

(f) an examination of the impacts of alternative alignments for the possible extension of Route 643 through the northern end of the airport, as recommended by Loudoun County officials, including an analysis of those impacts on airport operations;

(2) in the Site Development Plan:

(a) site and building guidelines for the entire airport that recognize the architectural preeminence of the Dulles Terminal and avoid adverse aesthetic impacts on it, addressing such factors as building design, mass, height, placement and setback, color, lighting, and signs; and

(b) provisions for the elimination of existing temporary facilities, such as the temporary parking, which detract from the special aesthetic order and quality of the airport;

(3) in the Landscape Plan:

(a) proposals for generous planting of trees throughout the facility, incorporating the original Saarinen landscape proposals where possible;

(b) where new concepts are required, proposals which build on the special sense of order and beauty of the Saarinen Plan; and

(c) proposals that will ensure the preservation and enhancement, to the extent possible, of the parkway character and quality of the Dulles Access Highway; and

(4) procedures for the preparation of more detailed subarea plans for the terminal area, car rental facilities, remote parking lot, and other areas where the staged development may require such detailed plans to ensure the protection and enhancement of the special visual and functional qualities of the airport.

Related Recommendation

The Commission:

1. commends FAA and the Fairfax and Loudoun Counties Governments for their cooperation in the preparation of the Noise Compatibility Program for Washington Dulles International Airport, which is directed toward achievement of land use compatibility in the airport environs;

2. endorses the noise abatement measures recommended in the program for aircraft operations at the airport and the noise mitigation measures recommended for implementation by Fairfax and Loudoun Counties and by others to limit the development of noise-sensitive land uses in potential noise exposure areas around the airport; and

3. recommends that FAA and Fairfax and Loudoun Counties continue to work together to assure timely implementation of noise abatement and noise mitigation measures needed to ensure that the existing land use compatibility in the airport environs is maintained and enhanced in the future.

Previous Commission Action/Conformance with Master Plan

On May 22, 1968, the Commission approved the Master Plan for Dulles International Airport, and recommended that the following matters be given further consideration in the implementation of the plan:

1. the controls and standards for building heights, materials, colors, lighting and signing be extended to specifically include the hotel in Zone B. Even though this is in the "Greenbelt and Approach Area," the master plan should contain such controls for all buildings in this area.

2. future building development and particularly building heights in and around the terminal building and areas in and around the major approach to the terminal from the Dulles Access road should be restrained in design so as not to compete visually with the terminal building, which is the major feature in the design of the whole airport.

3. in view of rapid technological changes in the aviation industry, these changes should be continually reviewed and evaluated in order to determine the impact of such changes on the master plan and adjacent land uses, and, where necessary, recommends modifications to the master plan that will insure that aircraft operations at Dulles will not adversely affect adjacent environs.

Recommendations contained in the documents would involve some changes to the original 1968 master plan, such as land acquisition for runway expansion, the midfield terminal development, and the development of a remote satellite parking lot, as well as the expansion of existing development on the site.

The development of preliminary studies for a revised master plan has been underway for many years and on December 1, 1977, the Commission authorized transmittal to the FAA of a staff memorandum concerning a Draft Final Master Plan Report for Dulles. At that time, the staff stated a preference for a public parking structure near the passenger terminal in lieu of a remote parking lot. Presentations to the Commission on preliminary concepts for a master plan revision have been made several times by the FAA in the past couple of years.

On July 7, 1983, the Commission approved the final site development plan for the first increment of the remote parking lot at Dulles International Airport, as shown on NCPC Map File No. 2301.00(94.40)-29330, for use during a period of 8 to 10 years, provided that the Federal Aviation Administration:

1. consider reuse and/or abandonment of part or all of the remote parking lot upon construction of a garage adjacent to the passenger terminal; and

2. incorporate provisions for landscaping and plans for bus shelters and collection booths.

On May 31, 1984, the Commission:

1. gave preliminary endorsement of the concept of a midfield concourse, in conjunction with the continued use of the remote aircraft apron and mobile lounge operations, for the updating of the master plan for Dulles International Airport, as illustrated by Concept D of the "Passenger Terminal Planning Studies, 1984." This endorsement comes with the reservation that NCPC will have the opportunity to receive and review comments from the U. S. Commission of Fine Arts and the U. S. Advisory Council on Historic Preservation on the design and historic preservation implications of this midfield concourse concept and any future FAA request for design modification of the Dulles terminal building;

2. requested that, in the completion of the updated master plan, the Federal Aviation Administration:

a. incorporate sufficient flexibility in the planning for Dulles to permit acceleration of the development schedule for various phases of development to accommodate more rapid growth, when lower passenger limits for National are established, in accordance with the policies regarding Washington National Airport contained in the Comprehensive Plan for the National Capital; and

b. indicate how the long-range passenger volumes of 20 million annual enplaned passengers (40 million total) could be accommodated under the various alternatives considered for the terminal area expansion, and incorporate general concepts for such long-term expansion in conjunction with the selected alternatives; and

3. recommended that, in the completion of the updated master plan and subsequent preparation of site and building plans, the Federal Aviation Administration:

a. plan for the midfield concourse to be an appropriate "background" building to the main terminal building, as indicated in the planning study, while at the same time providing for the highest possible level of quality of design, materials, and overall accommodations for passengers in the new facilities commensurate with the established standards of the Saarinen terminal building; and

b. incorporate an innovative people-mover system that has the flexibility of expanded service as provided in the recommended "Y" shuttle concept, and insure that any people-mover construction beneath the main terminal building or adjacent parking area be designed to permit an interconnection with a Metrorail or other rail extension to Dulles.

On February 7, 1985, the Commission approved the location and program for Phase II of the Remote Parking Lot, and recommended that, in the submission of the preliminary site development plan for Phase II, the Federal Aviation Administration (FAA):

1. preserve the existing natural quality of Horsepen Run by retaining a wooded buffer between the proposed remote parking facility and the stream, and by minimizing modifications to the natural flow characteristics of the water body; and

2. include an overall subarea plan for the remote parking lot which will include:

a. an overall design scheme addressing airport and roadway vistas from the terminal and access highways as well as site drainage;

b. a generalized landscaping and circulation scheme showing entrance and exit points, and including an indication of the required phasing of roadway access improvements; and

c. guidelines for signs, lettering, lighting, collection booths and bus stands which reflect the development guidelines contained in the overall Master Plan for Dulles.

[redacted] that, in the completion of the updated master plan and [redacted] of site and building plans, the Federal Aviation [redacted]

[redacted] for the midfield concourse to be an appropriate "back- [redacted] to the main terminal building, as indicated in the plan- [redacted] while at the same time providing for the highest possible level [redacted] of design, materials, and overall accommodations for passengers [redacted] facilities commensurate with the established standards of the [redacted] terminal building; and

b. incorporate an innovative people-mover system that has the flexibility of expanded service as provided in the recommended "Y" shuttle concept, and insure that any people-mover construction beneath the main terminal building or adjacent parking area be designed to permit an interconnection with a Metrorail or other rail extension to Dulles.

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a. an overall design scheme addressing airport and roadway vistas from the terminal and access highways as well as site drainage;

b. a generalized landscaping and circulation scheme showing entrance and exit points, and including an indication of the required phasing of roadway access improvements; and

c. guidelines for signs, lettering, lighting, collection booths and bus stands which reflect the development guidelines contained in the overall Master Plan for Dulles.

Conformance with Comprehensive Plan

The Federal Facilities element of the Comprehensive Plan designates Washington Dulles International Airport as a Transportation Terminal Facility. Some of the concepts contained in the documents are potentially inconsistent with the following policies in the element with respect to the phasing of improvements:

> Washington National Airport should be phased out as a major commercial airport at the earliest practical time

> and commercial air carrier operations removed to other existing commercial airports in the Baltimore-Washington Bi-Region in order to reduce the adverse environmental and other impacts on the Nation's Capital. Passenger volumes at National Airport should be reduced to one half current annual volumes and a reassessment made of the appropriate future use of the airport when this objective has been achieved or by 1995. Studies of the future use of National Airport should be undertaken as soon as possible; and
>
> An accelerated construction program for the expansion of the Dulles International Airport terminal as approved by the Commission in 1977, should be initiated immediately by FAA to increase capacity at Dulles thereby permitting the reduction of passengers at, and the eventual phasing out of, National Airport as major commercial airport. Metrorail should be provided to Dulles Airport....

The documents generally appear to be consistent with the following policies in the Federal Facilities element.

> Dulles International Airport should serve all levels of airline service to and from the Washington area and, with Baltimore-Washington International Airport, provide all international air service to the National Capital to maximize the potential and planned capacity at these airports;
>
> The Dulles Airport Access Highway should be maintained as a limited access roadway for the exclusive use of airport users; and
>
> The original design and development concepts in the Master Plan for Dulles Airport, approved by the Commission, should be followed in all future planning and development of the existing terminal building composition as well as the airport as a whole;
>
> Development on the Dulles Airport site should be limited to airport related uses and service facilities to support planned future air passenger growth and non-airport uses should be discouraged.

The documents may be generally inconsistent with the following policy in the Federal Facilities element:

> The parkway character and quality of the existing Dulles Airport Access Highway and the extension to Interstate 66, as the scenic roadway between the airport and the Nation's Capital, should be preserved and enhanced.

The documents may be generally inconsistent with the policy in the Parks, Open Space and Natural Features element which states that:

> The landscaped character and quality of the Dulles Airport Access Road and its extension to Route 66 should be preserved and enhanced as an important Gateway and scenic roadway between the airport and the Nation's Capital.

The master plan update should include a conceptual scheme for the Access Highway to indicate possible ways to enhance the parkway character of the road while providing for the proposed roadway widening and rail transit.

The Visitors to the National Capital element contains the following policies applicable to the documents:

> Pursue the development of additional museums in the Monumental Core, the District of Columbia, and Federal Facilities in the National Capital Region. Examples of such additional museums are:...an Air and Space Museum Annex at Washington Dulles International Airport;
>
> Provide visitor information at all transportation terminals in the National Capital Region to assist foreign and domestic visitors to the National Capital; and
>
> The Federal government, local and state governments, regional agencies and private entities should coordinate to...maintain the Gateways, in the National Capital Region in a manner which protects their landscape character and quality, promotes scenic views, and enhance the Visitors experience of the Nation's Capital.

It does not appear that the documents would preclude the implementation of these policies.

COUNTYWIDE

FAIRFAX COUNTY, VIRGINIA
1985 ANNUAL PLAN REVIEW

1985 ANNUAL PLAN REVIEW 1985

STAFF REPORT

COMPREHENSIVE PLAN ITEM NUMBER(S): 85-CW-1EN

SUMMARY STAFF RECOMMENDATION RGL

_X_ Approve Nomination as Submitted ____ Defer Nomination

NOMINATOR(S): OCP Staff

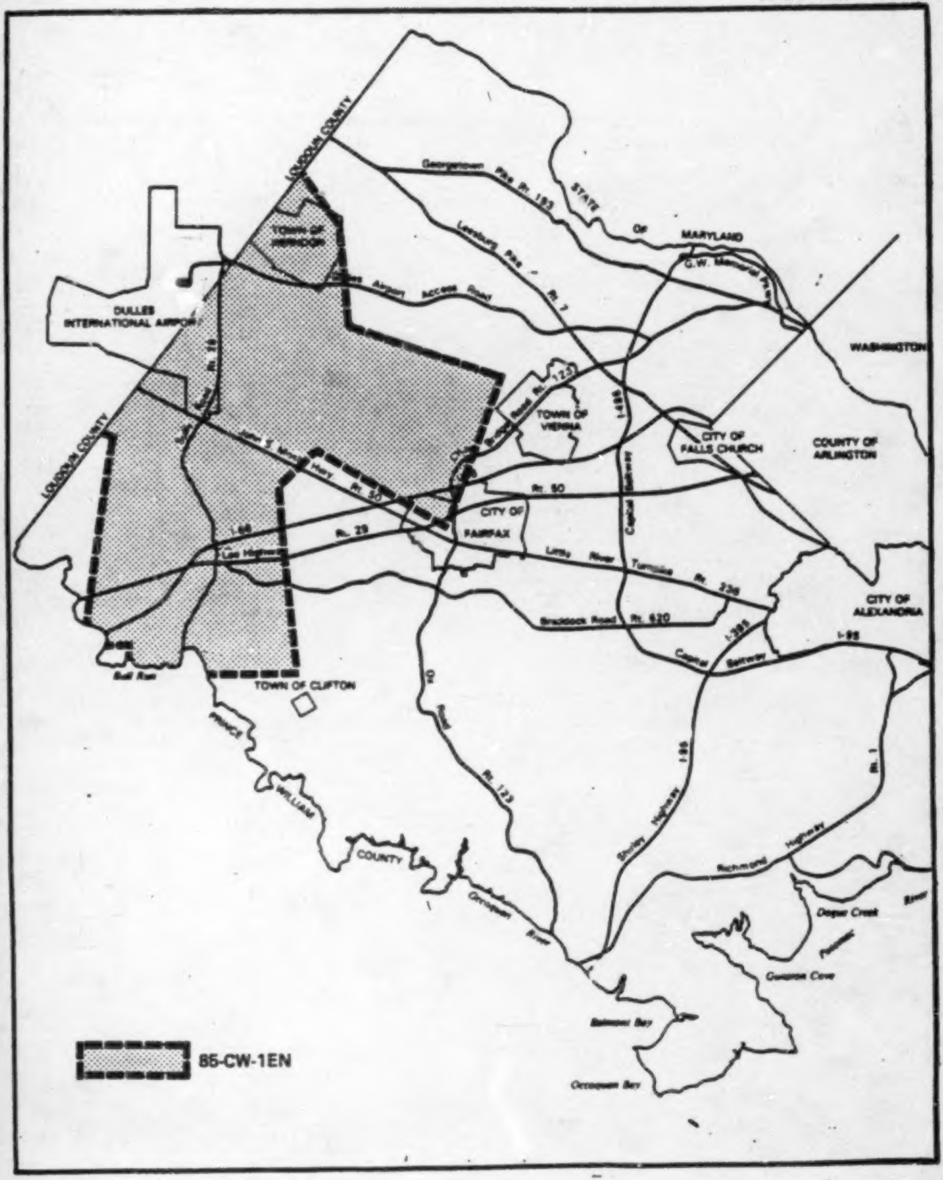
PLANNING COMMISSION SUBMITTAL NUMBER(S): 270

SUPERVISOR DISTRICT(S): Centreville, Dranesville, Springfield

BRIEF DESCRIPTION OF NOMINATION:

- Policies for the height of structures in the vicinity of Washington Dulles International Airport in Area III, Bull Run and Upper Potomac Planning Districts

85-CW-1EN


LOUDOUN COUNTY
LOUDOUN COUNTY
Georgetown Pike Rt. 193
STATE OF MARYLAND
Leesburg Pike – Rt. 7
G.W. Memorial Pkwy
TOWN OF HERNDON
Dulles Airport Access Road
DULLES INTERNATIONAL AIRPORT
WASHINGTON
Rt. 28
Sully Road
Chain Bridge Road Rt. 123
TOWN OF VIENNA
I-495
Capital Beltway
CITY OF FALLS CHURCH
COUNTY OF ARLINGTON
John S. Mosby Hwy. Rt. 50
Rt. 50
CITY OF FAIRFAX
I-66
Rt. 29
Lee Highway
Little River Turnpike Rt. 236
Braddock Road Rt. 620
I-395
CITY OF ALEXANDRIA
I-95
Capital Beltway
Bull Run
TOWN OF CLIFTON
Ox Road
Rt. 123
PRINCE WILLIAM COUNTY
I-95
Shirley Highway
Rt. 1
Richmond Highway
Occoquan River
Dogue Creek
Potomac River
Gunston Cove
Belmont Bay
Occoquan Bay
85-CW-1EN

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: James C. Wycoff,Jr. Executive Director January 18, 1985
Fairfax County Planning Commission

FROM: Sidney R. Steele, Acting Director
Office of Comprehensive Planning

FILE NO. 1661 (lup)

SUBJECT: 1985 Annual Plan Review Nominations

In accord with the Annual Plan Review submission criteria the Office of Comprehensive Planning formally submits the following nominations for Plan review.

Tysons Corner

In response to a request of the Board of Supervisors staff has completed a study of the Tysons Corner area that focuses on the height of structures within the context of urban design. The study supports consideration of an amendment to the Comprehensive Plan that provides guidance for future planning and development in this area.

→ Height of Buildings near Dulles

On January 14, 1985 the Board of Supervisors authorized staff to consider an amendment to the Comprehensive Plan that would provide guidance regarding the allowable height of buildings in the vicinity of Washington Dulles International Airport.

Food Parks

On December 3, 1984 the Board of Supervisors authorized staff to consider an amendment to the Comprehensive Plan that would provide guidance regarding the establishment of food parks (clustered commercial complexes) in commercial and industrial centers.

PLAN REVIEW CRITERIA EVALUATION **APR Nomination No.** 85-CW-1EN

In order for a Plan amendment nomination to receive consideration by the Board of Supervisors in this 1985 full cycle review, there must be sufficient justification in accordance with the Annual Plan Review procedures adopted December 12, 1983 by the Planning Commission.

The Planning Commission will bring all nominations to public hearing in 1985 because this is a full review year. At least one of the following criteria must be satisfied in order for a nomination to receive consideration as part of the Annual Plan Review process:

_____ Significant changes have occurred in the areas of concern since the adoption of the Plan as amended.

X The adopted Plan contains provisions which unreasonably limit the ability of the County to achieve the objectives of the Plan.

_____ Oversights, inconsistencies or land use related inequities are contained in the adopted Plan as they affect the area of concern.

_____ BECAUSE NONE OF THE ABOVE ADOPTED CRITERIA ARE APPLICABLE, THIS NOMINATION IS NOT RECOMMENDED FOR FURTHER PLAN REVIEW CONSIDERATION.

_____ THIS NOMINATION IS NOT RECOMMENDED FOR FURTHER PLAN REVIEW CONSIDERATION BECAUSE IT WAS CONSIDERED UNFAVORABLY IN A PREVIOUS PLAN REVIEW CYCLE AND CONDITIONS HAVE NOT CHANGED SINCE THEN.

EXPLANATION:

ANALYSIS AND RECOMMENDATIONS

Analysis

Currently there are no buildings in the Dulles vicinity that present a "hazard" to aircraft and, given the zoning and planned land uses around the airport, it is unlikely that such a "hazard" could arise without a Special Exception (SE) for height.

Existing County policies and regulations concerning height are limited to the maximum heights permitted in each zoning district defined in the Zoning Ordinance. If current zoning were to remain in effect, and no Special Exceptions were granted, the creation of an aircraft hazard within the constraints of the Zoning Ordinance (e.g., a residence 35 feet high, an office building 75 feet high, or an apartment building 90 feet high) is unlikely. However, there is some possibility that an obstruction or hazard could be developed in the future.

Other jurisdictions around the country that have major airports have implemented airport hazard legislation to assure that these conflicts do not occur. For the most part, these ordinances utilize the FAA's technical obstruction criteria and adapt them to local conditions and policies planning.

The FAA requires notice of construction/alteration of structures of given heights and proximity to airports. The FAA has also promulgated standards by which to measure obstructions for their hazard potential. However, it is important to note that the FAA exercises no real control over the erection of such structures, regardless of the agency's findings with respect to them. Control still remains the responsibility of local government. Good planning practice dictates the creation and maintenance of minimum clearances or buffers between operating aircraft and any structures with potential for interference.

In considering the most desirable County approach, five policy options were examined: (1) A "no action" alternative; (2) the creation of maps and diagrams for use as a staff working tool in reviewing development applications; (3) modifications to the Comprehensive Plan text and map to indicate County policy; (4) a change to the Zoning Ordinance that would set special maximum heights, without the SE option, within mapped airport hazard areas; and (5) the development of a new zoning district that regulates height within carefully defined airport hazard areas.

Since the potential for the creation of a "hazard" is slight at the present time, staff does not propose the control of height through the Zoning Ordinance. Any structure of significant height will require a Special Exception and therefore be subject to specific recommendations contained in the Comprehensive Plan.

Recommendations

Amend the Plan as indicated in the Proposed Amendment to the Plan, below.

PROPOSED PLAN AMENDMENT TO THE COMPREHENSIVE PLAN

ADD: Page 240, after Land Use Planning within the Dulles Airport Noise Impact Area, new section to read:

Allowable Height of Structures in the Vicinity of Dulles Airport

The Federal Aviation Administration (FAA) has established criteria for formal notice to FAA of certain proposed constructions or alterations of structures near airports. It also has established standards in what are commonly known as the FAR Part 77 regulations, for determining what may be obstructions in navigable airspace. Once an obstruction has been identified, the FAA will undertake an aeronautical study to determine whether the structure will have a substantial adverse effect on the safe and efficient utilization of the airspace -- i.e., whether the structure would be deemed a hazard to air navigation.

It is the policy of the Board of Supervisors not to permit the erection of structures which have been determined by FAA to pose a hazard to air navigation. It is further the policy of the Board of Supervisors to carefully evaluate all proposed structures which, if constructed, would constitute an obstruction (as defined by an application of FAR Part 77 obstruction standards to Dulles International Airport's facility configuration, technical characteristics, and surrounding terrain).

In order to implement these policies, the public is advised to undertake official notification of the FAA Regional Office of the proposed construction of any structure meeting any of the following criteria:

1) the construction or alteration will be more than 200 feet in height above ground level at its site:

2) the construction will be in an instrument approach area, available information indicates it might exceed an obstruction hazard standard, and the FAA makes a specific request for notice; or

3) The construction penetrates an imaginary surface that extends outward and upward from the nearest point of the runway at a 100:1 slope, for a distance of 20,000 feet.

In order to further implement the policies of the Board of Supervisors, the County will utilize FAA's obstruction standards, as applied to Dulles Airport and contiguous land, as guidance in making its own determinations as to the allowable height of structures. The three relevant obstruction standards are (i.e., an obstruction will be found if it is higher than any of the following):

1) A height of 500 feet above ground level at the site;

2) 200 feet above ground level or the "established airport elevation" (312 feet), whichever is higher, within three nautical miles of the "established reference point" (near the bottom of the westerly north-south runway, 19R-1L), with that height increasing 100 feet for each additional mile from the reference point up to a maximum of 500 feet; or,

3) An imaginary surface, 1,000 feet wide, extending from the end of the runway, at a slope of 50:1, for 10,000 horizontal feet, and at 40:1 for an additional 40,000 horizontal feet, with its outermost edge being 16,000 feet wide.

It should be noted that the standards presented here are simplified from FAA's Part 77 regulations. There are "imaginary" or geometric surfaces described in the regulations that apply in the analysis of the potential for obstruction, and the piercing of any of these surfaces by a structure will cause a finding that such is an obstruction. Whether an actual hazard is created will still remain within the purview of the FAA."

MODIFY: The Area III Plan map to indicate the area subject to application of the County's policy on building height near Dulles Airport.

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

APR 22 1985

The Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
Washington, D.C. 20515

IDENTICAL LETTER TO:
The Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. Speaker:

Transmitted herewith is a bill

> To provide for the transfer of the Metropolitan Washington Airports to an independent airport authority.

The Department's Federal Aviation Administration (FAA) has operated both Washington National Airport and Washington Dulles International Airport since their inception, beginning with the opening of National Airport in 1941. As the airports have come to serve the growing travel and commercial needs of the metropolitan Washington area, any justification for unique federal facilities serving the national seat of government has diminished. In fact, independent reports since the Hoover Commission's in 1948 have identified the daily management of these public commercial airports as inappropriate for a traditional federal agency.

In June 1984, I established an "Advisory Commission on the Reorganization of the Metropolitan Washington Airports" to recommend the best course of action for placing operation and control of the airports in local hands. The Commission was composed of Congressional, state, and local officials and aviation representatives, and was chaired by former Virginia Governor Linwood Holton. The Commission filed its report on December 18, 1984, reflecting consensus though not unanimity on the most desirable approach to transfer of control. The legislation transmitted with this letter conforms to those recommendations.

The Airports Authority. The Commission Report and the enclosed legislation contemplate the transfer of control over both airports to a single, independent operating authority, constituted by mutual agreement of the two jurisdictions most vitally affected -- the Commonwealth of Virginia and the District of Columbia. This is justified by the location of the airports in Virginia and the demand generated by the District. Membership on the Airports Authority Board would be balanced within the region to give Maryland a voice in decisions that could affect all three airports in the region. One member would be appointed on behalf of the federal government by the President, with the advice and consent of the Senate.

Transfer by lease. The Commission recommended that lease of the federal airport property be the basis for shifting control to local authority. Under this approach, the federal government would retain an interest in the airports that could be recovered if the Airports Authority failed to achieve the goals established for it in the transfer legislation. The proposed legislation adopts this approach, and the Commission's further recommendation that lease payments should recover that portion of the federal government's investment in the airports that has not been reimbursed to the U.S. Treasury from airport revenues over the years.

A two-year limit on negotiations for a lease is established in section 5 of the bill to encourage prompt action on the part of affected jurisdictions.

Federal employees. Continuity and efficiency of airport operations would be well served by retaining the highly skilled FAA workforce currently at the airports. To encourage employees to remain during the period of legislative consideration, negotiations, and transfer, this legislation proposes essentially the same employment protections that were afforded Alaska Railroad employees who were in a similar situation. The bill addresses retirement, retention, health-benefit, and other aspects of employment that will affect FAA employees at the airports. Those employees who choose not to transfer would be entitled to the rights and benefits in place for separated federal employees.

Necessary assurances. Various provisions of the legislation, in particular minimum conditions to be included in the lease itself, emphasize the necessity of continued use of the airport facilities as primary airports. Also, section 7 requires continued availability of air traffic control, navigation, and communications facilities at the airports, along with continued use of other necessary airport facilities and the ability as necessary to expand facilities. Rights, liabilities, and obligations of the airport would transfer to the Airports Authority. The legislation also provides that the airports would be eligible for Airport Improvement Program funding on the same basis as other airports.

Completion of the term of the lease. The bill provides that, upon successful completion of the full term of the lease, the fee simple title to the airports would pass to the Airports Authority. This provision holds out the possibility of the complete shift of the airports from federal control, but only after the passage of time has proved the value of the arrangements made by the rest of the bill.

Matters Not Addressed in the Bill. A number of matters of concern to parties interested in this proposal have not been addressed specifically in the bill because of certain expectations about the practices of an independent authority. With respect to advisory committees, for example, we would expect the authority to form one or more, in its discretion, in order to assure that the views of the communities surrounding the two airports and their local governments are adequately considered, and that the views of the carriers providing service at the airports are taken into account before the Authority undertakes major capital improvements. With respect to airline rates and charges, we expect the Authority to base them on its costs. In view of the changes that will be required as a result of transfer from federal control, we would expect the Authority to undertake a review of alternate ratemaking philosophies, such as the "compensatory" and "residual" approaches, and consider approaches that would take into account all revenues of the Authority. Finally, as the rapid improvement of both airports through revenue bond financing is one of the chief reasons for this transfer proposal, we would expect the Authority to proceed promptly with capital projects at Dulles and National during its first year.

The Office of Management and Budget advises that there is no objection, from the standpoint of the Administration's program, to the submittal of this legislative proposal to the Congress, and that its enactment would be in accord with the program of the President.

Sincerely,

Elizabeth H. Dole

Elizabeth Hanford Dole

Enclosure

U.S. Department of Transportation
Office of the Secretary of Transportation

400 Seventh St., S.W.
Washington, D.C. 20590

Transfer of The Metropolitan Washington Airports

In June 1984, Secretary of Transportation Elizabeth Hanford Dole decided that it was not appropriate for the federal government to operate the the Metropolitan Washington Airports, Dulles and National, the only two air carrier airports under federal control, and that these airports should be transferred to a state or local public authority. This conclusion was consistent with the recommendations of several commissions, not to mention with the views of federal officials responsible for the airports dating back to 1948. At the same time, she adopted a new approach: she appointed a Commission made up of Members of Congress, the Governors of Maryland and Virginia, the Mayor of the District of Columbia, local elected officials and representatives of the aviation industry to advise her about how to accomplish the task. Chaired by former Governor Linwood Holton of Virginia, the Commission made a comprehensive proposal, including most of the elements outlined below. As a result, the Virginia General Assembly has already passed necessary implementing legislation, and the District of Columbia is about to enact an identical bill. The Administration bill authorizing the transfer of the airports has been introduced by Senators Danforth, Warner and Trible (S.1017) and by Congressmen Howard and Snyder (H.R.2337), cosponsored by Congressmen Wolf, Parris and Slaughter. A hearing will be held by the Senate Committee on Commerce, Science and Transportation, Subcommittee on Aviation in June.

THE PROPOSAL

- The airports would be transferred to an independent authority to be created by interstate compact between Virginia and the District of Columbia. The airports would be leased for 35 years, then transferred in fee to the authority.
- Lease payments would be sufficient to pay off the remaining "hypothetical debt" of the airports - about $47 million. This represents the amount of federal investment, plus interest, that has not been recovered from airport revenues. Transfer will thus make the federal government whole.
- The authority would be governed by an independent board appointed as follows: five by the Governor of Virginia, three by the Mayor of the District of Columbia, two by the Governor of Maryland, and one by the President. Members would serve staggered six-year terms, would have to live in the Metro-

politan Washington area (except for the Presidential appointee), could not hold appointive or elective political office, and would not be paid.

- The authority would be limited to operating the two airports, and its revenues could not be invested elsewhere.
- All appropriate operating rules governing the Metropolitan Washington Airports would transfer to the new authority, which would be free to change them, with the exception of the levels provided in the nighttime noise rule (unique to National Airport), though transferred to the new authority, could not be changed.
- The passenger "cap", an air traffic rule unique to National, for technical reasons could not be transferred to the authority. It would be eliminated, and in its stead the number of air carrier slots at National set by the High Density Rule would be frozen at 37 per hour. This would both assure continuing reductions in noise impact and preserve present service levels.

BENEFITS OF TRANSFER

- The federal government would be out of a business enterprise which is appropriately a local function. Operating policy for the Metropolitan Washington Airports would no longer be a national political issue, and could be more efficiently established at the local level. With respect to federal law, National and Dulles would be on the same footing as any other airport.
- The airports would be run in a businesslike manner. Existing efficiencies would be preserved (National and Dulles have one of the most productive airport workforces in the Nation), and the revenue-generating capacity of the airports, combined with revenue bond financing in the private money market, would enable swift completion of capital improvements, relieving the federal government of several hundred million dollars of future costs.
- The new authority would be self-sufficient, not requiring any federal subsidies. They would be eligible for federal grant-in-aid funding from the Airport and Airway Trust Fund, funded by aviation taxes.
- Construction would begin promptly on a new midfield terminal at Dulles, which would enable air carriers to establish hubs there. Dulles could then accommodate the rapid growth in service to the levels the Washington area needs and deserves.
- Parking and roadways, as well as terminal facilities, would soon be brought up to modern standards at National.
- About 700 employees would be transferred to the new authority. Their jobs, pay levels and benefits would be guaranteed for two years.
- The new authority would pick up the full cost of the underfunded federal pension system for the present employees of the two airports, through an initial payment of between $33 and $37 million.

May 22

"WASHINGTON AIRPORTS TRANSFER ACT OF 1985"

SECTION-BY-SECTION ANALYSIS

Sections 2 and 3 set forth the Congressional findings and purpose that underlie enactment of the bill.

Section 4 contains definitions for certain terms used throughout the bill. The definition of "employee" makes clear that only Federal Aviation Administration (FAA) personnel employed by the "Metropolitan Washington Airports" organization within the FAA are addressed by the bill. Thus, FAA air traffic control, engineering and facilities maintenance personnel employed by other elements of the FAA would not be affected, nor would other federal employees located there, such as weather personnel of the National Oceanic and Atmospheric Administration.

Section 5 of the bill provides Congress' direction to the Secretary of Transportation to transfer responsibility for the Metropolitan Washington Airports (Washington National and Washington Dulles International Airports) from Federal Aviation Administration control to a public, regional operating authority like all other air carrier airports in the United States.

These two Washington-area airports are unique in that they are operated on a day-to-day basis by the federal government's Federal Aviation Administration despite their status as major commercial operations in the Washington area. This status is attributable to the fact that Washington, District of Columbia, is the national seat of government, and the airports were developed initially by the federal government because suitable alternatives were not available.

As a general matter, the bill conforms in all its major substantive provisions with the December 18, 1984, report and recommendations of the "Advisory Commission on the Reorganization of the Metropolitan Washington Airports". This Commission was established by the Secretary of Transportation and was composed of representatives of those jurisdictions in the region that are most affected by airport operations, along with aviation industry representatives. The proposed legislation adopts their consensus on the airports' future, as recommended in the Commission's report.

This bill provides a two-year opportunity for the affected jurisdictions in the region to negotiate an arrangement for the long-term operation of the airports under certain minimum conditions that protect the federal interest, including continued employment of federal personnel at the airports, and those of the jurisdictions affected. Section 5 directs the Secretary of Transportation to undertake all actions needed to negotiate such arrangements, within the following framework:

- Transfer of personnel and authority over the airports as a unit must be to a single, independent airport authority (the "Airports Authority"), as specified in section 6 of the bill;
- Federal personnel employed as of the date of transfer at the airports would be entitled to employment protections patterned after those provided employees of the Alaska Railroad upon its transfer to an operating entity of the State of Alaska;
- Real property of both airports would be leased, not transferred in fee simple, to the Airports Authority, and other conditions would be imposed;
- Other property and equipment would be transferred to the Airports Authority in a manner consistent with all of the provisions of the Act.

Subsection 5(a) establishes the basis for compensation by the Airports Authority to the federal government in consideration of the long term lease of the airport properties. Over the years, the airports have accumulated a "hypothetical indebtedness" to the U.S. Treasury representing the net shortfall in reimbursement from airport revenues to the Treasury for appropriations made on behalf of the airports. It was the Commission's recommendation that this shortfall be recovered by annual payments to the Treasury over some reasonable period of the life of the lease. Section 5 would require that the Airports Authority assume this hypothetical indebtedness as a condition of obtaining the lease. It would be calculated by the FAA in accordance with established procedures as of the date of transfer. At the end of Fiscal Year 1985, after adjustment for expenses, revenues and the cost of the Access Road Extension, the amount of this debt is estimated to be about $47 million. As further consideration for lease and acquisition of the airports, the Airports Authority would also make a lump-sum payment to cover the future cost of employee retirement benefits over and above the 14-percent employee and agency contributions that will be made in the future. Also included in this payment by the Airports Authority would be the actual added costs incurred by the Fund due to discontinued service retirements under 5 U.S.C. 8336(d)(1). A rough projection of the amount of this lump-sum payment would be in the range of $30 to $40 million.

Section 6 of the bill sets out several criteria for the new "Metropolitan Washington Airports Authority" to assure its conformity with the December 18, 1984, report and recommendations of the Commission. As noted, the Commission Report represents the consensus of a majority of the jurisdictions and aviation groups primarily affected by the airports and should be the basis for creation of the agency succeeding the FAA as airport operator.

The Report and this bill call for a single, independent public authority over both airports, to be created jointly by the Commonwealth of Virginia and the District of Columbia and with the capacity to issue tax-exempt revenue bonds to finance improvements at both airports. The authority would be modeled on other bi-jurisdictional entities that operate airports. This Airports Authority would be dedicated solely to operating the airports as "primary airports serving the metropolitan Washington area", and could only expend its revenues on the capital and operating costs of the airports. These costs would be determined through the authority's annual budget process, and would include all activities now conducted by the Metropolitan Washington Airports, such as maintaining and policing the Dulles Access Road, or the provision of buses for the Washington Flyer service.

The Authority would be governed by a board composed as follows:

- Virginia, the location of both airports, would appoint five members, the District of Columbia would appoint three members, and Maryland would appoint two members. An eleventh member would be appointed by the President, with the advice and consent of the Senate;
- Members could not hold elective or appointive political office; would serve without compensation; and, except for the Presidential appointee, would have to be residents of the Metropolitan Washington area.

The bill specifies details about the Airports Authority, not to preempt or displace the legislative initiative of the two jurisdictions, but to reflect the recommendations of the Advisory Commission on the nature of operating authority that would succeed the FAA. The authority to issue tax-free revenue bonds, for example, must be in place to assure all parties of the Airports Authority's ability to pursue necessary capital development, but without reliance on the full faith and credit of the jurisdictions involved that could jeopardize its independence.

The single authority and weighted representation were settled on by the Commission in recognition of practical financial and geographical considerations. The Commission inquired into the possibility of transferring the two airports separately, but financial analysis concluded that separating them would require such substantially higher landing fees and terminal rentals at Dulles that this could put it at a competitive disadvantage. The Commission also concluded that, for operational effectiveness, promotion and economic development, and service to travelers, the two airports should be operated by a single management as they have been in the past. The weighted representation reflects the location of both airports within the Commonwealth of Virginia and the District of Columbia's reliance on these airports outside its jurisdiction.

Section 6 also provides for 6-year appointments of members, with initial appointments that result in staggering of subsequent appointments to promote board continuity. The Chairman of the board would be elected by majority vote of the members and would serve at their pleasure. Seven votes would be required for the most significant actions of the board -- approval of bond issues and the Authority's annual budget.

Section 6 does not need to address the issue of Congressional consent to an interstate compact between Virginia and the District, because legislation allowing aviation compacts between and among states has already been enacted by Congress (Pub. L. 86-154, Aug. 11, 1959; 49 U.S.C. 1743). It states:

> The consent of Congress is given to each of the several States to enter into any agreement or compact, not in conflict with any law of the United States, with any other State or States for the purpose of developing or operating airport facilities. The right to alter, amend, or repeal this section is expressly reserved.

The "District of Columbia Self-Government and Governmental Reorganization Act" (Pub. L. 93-198, December 24, 1973) establishes that, for purposes of the legislative power of the Council of the District of Columbia, this power is "subject to all the restrictions and limitations imposed upon the states by the 10th section of the 1st article of the Constitution of the United States." (1 D.C. Code 1-204 (1981 Edition)). To the extent that the 1959 statute relieves the states of the Article's "restrictions and limitations", the District should benefit to the same degree.

Section 7 establishes the minimum contents of any lease agreed to under the Act, setting forth the reservations and requirements needed to ensure the federal interest in continued use of these facilities for primary airport purposes. These include control over land and facilities for all aviation safety and related functions of the Federal Aviation Administration, and a requirement for guaranteed access to airport facilities by the public on fair and reasonable terms without unjust discrimination. These provisions are drawn from section 511 of the Airport and Airway Improvement Act of 1982 (49 U.S.C. 2210).

To provide continuity in administration of the airports immediately following transfer, section 7 would generally provide for continuing all appropriate Metropolitan Washington Airports regulations until they are modified or revoked by the Airports Authority under its own procedures. Although the "new technology" regulation requiring unique FAA oversight over introduction of new aircraft at National Airport would not transfer, the introduction of new aircraft at both airports would remain fully subject to FAA review via the operations specifications requirements for FAA certification generally.

With regard to the single FAA air traffic rule that applies solely to National Airport (the so-called "passenger cap"), section 7 would terminate its effectiveness upon transfer, substituting a freeze on the air carrier slot limitations at National Airport under the High Density Rule for the term of the lease. The FAA could only change the number of slots for reasons of safety. Similarly, the nighttime noise rules would be "frozen" at present levels as a element of the lease and for its full term. The Holton Commission did not address these capacity and noise regulations, but the federal government retains some obligation to maintain its regulations with sensitivity both to the surrounding community and the users of the airport. While the Airports Authority would undertake the standard obligations of an airport operator for noise impact in the community, the federal government has historically gone beyond its proprietary responsibility for the airports and developed unique restrictions over the years. In view of the consensus represented by the nighttime restrictions and the slot limitations applicable to National Airport, the legislation would perpetuate them as just described for the period of the lease. As at other High Density Airports, the federal rule would obviate any effort by the Airports Authority to increase or decrease air carrier operations.

Section 7 would also require the Airports Authority to assume the rights, liabilities, and obligations of the Metropolitan Washington Airports as an element of gaining authority over them. The same general approach was adopted in transfer of the Alaska Railroad from federal to state control in 1983 legislation (P.L. 97-468, January 14, 1983; see 45 U.S.C. 1203(d)(2)(A)). Workers compensation payments for events occurring prior to transfer would remain the responsibility of the FAA, however.

Section 7 would permit the General Accounting Office to audit the Airports Authority, in order to assure that the it is in compliance with the requirements of its lease. This section would also require that the Airports Authority develop an appropriate code of ethics and financial disclosure for its members and employees.

Under subsection 7(b), failure to observe these or other conditions of the lease would be the basis for the Attorney General (on behalf of the United States) or another aggrieved party to seek judicial enforcement of the lease.

Section 8 of the bill specifies certain rights upon transfer for permanent federal employees who are employed at the airports on the date of transfer, which rights are patterned after those provided Alaska Railroad employees in a comparable situation.

Employees would be guaranteed retention at their current positions, at current salaries, for two years following transfer. Leave balances and life and health insurance offerings comparable to federal programs would be assumed by the Airports Authority for this period. Labor agreements would be honored for up to a 2-year period while renegotiation occurs. An employee with retirement rights under federal civil service law would be assured continuation of those rights. Employees who choose not to transfer to the Airport Authority would be entitled to the rights and benefits available to them under federal law for separated employees, but would not be entitled to severance pay if they had refused an offer of comparable employment with the Authority. Those employees receiving benefits for discontinued service retirement could be reemployed with the Airports Authority, but only under the same conditions as other federal employees, that is, they could not receive both full salary and full annuity.

Section 9(a) of the bill sets out the relationship of the proposed legislation to related laws. This section is designed to put the Authority on the same footing with respect to federal law as any other American air carrier airport. It first establishes the eligibility of the two airports for federal assistance under the Airport and Airway Improvement Act of 1982 on the same basis as other airports. Second, it clarifies that the two airport Acts that now direct FAA supervision of the airports would not be effective while the lease is in effect. Third, the Airports Authority would not, by virtue of leasing the airport properties from the federal government, be subject to federal requirements beyond those applying to airports generally. Fourth, this section provides that the Commonwealth of Virginia would exercise police power authority over the airports, and its courts may exercise jurisdiction at the airports. This is appropriate in view of the location of both airports in the Commonwealth.

Section 9(a) also provides that, upon transfer to the Airports Authority, the airports would no longer be subject to the federal construction planning process carried out by the National Capitol Planning Commission, except for major alterations to the exterior of the Dulles terminal building or development that would alter the skyline of National Airport when viewed from the opposing shoreline of the Potomac River or from the George Washington Parkway.

Subsection (b) simply provides that unobligated balances of appropriations for the Metropolitan Washington Airports remaining for the fiscal year in which transfer occurs shall transfer to the Airports Authority, to the extent that the Airports Authority agrees to an identical increase in the amount of hypothetical indebtedness that it assumes upon transfer.

Section 10 of the bill provides that, upon successful completion of the term of the lease, the fee simple title to the airport properties would pass to the Airports Authority, and the United States would relinquish all its jurisdiction over the airports. This provision would have the practical effect of retaining ultimate federal control over the airports until the passage of time makes it clear that the new arrangement is suitable and should become legally permanent.

Section 11 of the bill provides the standard arrangement that the invalidity of any particular provision of the legislation or any application of it would not thereby invalidate the legislation as a whole.

Section 12 of the bill establishes an immediate effective date for the legislation upon its enactment. This would commence the two-year period in section 5 authorizing the Secretary to enter into a lease and related agreement. This is intended to encourage progress toward transfer, and represents the maximum period of time necessary to negotiate the lease agreement.